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GOVERNMENT OF INDIA (Bharat Sarkar)
MINISTRY OF RAILWAYS (Rail Mantralaya)
(Railway Board)

**FIRST REPORT
OF
THE COMMITTEE ON
INVENTORY MANAGEMENT ON RAILWAYS**

Under the Chairmanship of
Shri Mohd. Shafi Qureshi
Minister of State for Railways

January, 1975

COMMITTEE ON INVENTORY MANAGEMENT ON RAILWAYS

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CHAPTER I

INTRODUCTORY

1.1. **Appointment of the Committee.**—The Government of India, in the Ministry of Railways *vide* Resolution No. ERB-1/72/21/118 dated 19th January 1973—reproduced in Appendix I set up a “Committee on Inventory Management on Railways”, to review the working of the stores organizations on railways.

1.2. **Terms of reference.**—The initial terms of reference of the Committee were to review the policies and procedures on the Indian Railways for inventory control and procurement of stores, including stores procured through D. G. S. & D. with the object of ensuring availability of materials and at the same time keeping inventories at the optimum level.

1.3. Subsequently, some more items were added to the terms of reference of the Committee and the Ministry of Railways *vide* their Resolution No. ERB1/72/21/118 dated 27th September 1973, reproduced in Appendix II, amended the terms of reference of the Committee as follows :—

- (i) To review the policy and procedures on the Indian Railways for inventory control and procurement of stores, including stores procured through the D. G. S. & D. with the object of ensuring materials availability and at the same time keeping inventories at the optimum level ;
- (ii) To review the systems to check thefts and pilferages in the stores ;
- (iii) To examine the possibility of obtaining stores through agencies other than the D. G. S. & D. ;
- (iv) To have a thorough examination of the import of spare parts for the rolling stock ;
- (v) To examine the feasibility of setting up of ancillary units by small scale entrepreneurs for manufacture of spare parts in and around the production units ; and
- (vi) To review the quality control of spare parts.

1.4. **Constitution of the Committee.**—The Committee was constituted as follows :—

Chairman.

Shri Mohd. Shafi Qureshi .. Deputy Minister for Railways
(now Minister of State for Railways).

Members

- (1) Shri K. S. Sundara Rajan, Financial Commissioner, Railways.
- (2) Shri H. M. Chatterjee, Member (Mechanical), Railway Board.
- (3) Shri R. Rajagopalan, Chief Cost Accounts Officer, Ministry of Finance.
- (4) Shri M. V. Kamath, Special Director Finance, Tube Investments of India, Madras.
- (5) Shri A. Chandmal, Deputy General Manager (Materials and Finance), Tata Engineering and Locomotive Co., Jamshedpur.

Secretary

Shri R. Srinivasan, Joint Director, Railway Stores, Railway Board.

Since then some of the official members of the Committee were transferred/retired and new members were appointed in their places. Shri A. Chandmal resigned his membership on account of pre-occupation. The Committee presently is made up by the following members :—

Chairman

Shri Mohd. Shafi Qureshi, Minister of State for Railways.

Members

- (1) Shri K. S. Bhandari, Financial Commissioner, Railways.
- (2) Shri P. N. Kaul, Member (Mechanical), Railway Board.
- (3) Shri T. V. Joseph, D. G./R. D. S. O., Lucknow.
- (4) Shri R. Rajagopalan, Chief Cost Accounts Officer, Ministry of Finance.
- (5) Shri M. V. Kamath, Special Director Finance, Tube Investments of India, Madras.
- (6) Shri H. M. Chatterjee, Ex. Member (Mechanical), Railway Board.

Secretary

Shri N. Raman, Joint Director, Stores (I. C.), Railway Board

The Committee would like to record its appreciation of the valuable services rendered by Sarvashri K. S. Sundara Rajan, A. Chandmal, M. Srinivasan and N. N. Tandon to its formulating these recommendations.

1.5. Committee's Activities.—The Committee held its first meeting on 24th March 1973. Because of the very wide nature of the terms of reference and

the complex problems of materials management in railways, it was decided that, in the first instance, the members of the Committee namely—

Sarvashri R. Rajagopalan, M. V. Kamath and A. Chandmal would visit one Zonal Railway and one Production Unit each, study the procurement and inventory control policies, procedures, etc. and circulate their findings to the other members (placed at Appendix III).

The Committee met again on 30th October 1973 and discussed the report of the members. The Committee felt that each aspect as per terms of reference should be taken up as an item, studied in depth and recommendations given so that it becomes easy of implementation. The Committee, therefore, decided to take up in the first instance the procedures obtaining on the railways for procurement of stores, payment of Suppliers' Bills and disposal of stores. The Committee also desired that flow charts explaining the detailed stages, along with time taken for each stage should be prepared for some live cases in some of the railways and forwarded to Shri M. V. Kamath for a study and suggestions to quicken the process of completion of each stage as also for simplifying the procedures. The flow charts were obtained from the Southern, Western, Northern and Eastern Railways. Shri M. V. Kamath submitted his proposals for consideration of the Committee on the elimination of redundant steps and simplification of procedures on these three aspects. The Committee met on 12th February 1974, 27th March 1974 and 8th and 9th July 1974, to consider these aspects and finalise its recommendations. The Committee also had detailed discussions with the General Managers, Southern Railway and I. C. F. on these aspects. The Committee in its meeting held on 8th and 9th July 1974, decided to submit its first report on the limited aspects of simplification of procedures covering procurement of stores, payment of Suppliers' Bills and disposal of surplus stores.

Layout of the Report.—In considering the layout of this report, the Committee has proceeded on the assumption that the mass of material it has collected is already available to the Government in one form or another. In the report, therefore, attention has been drawn only to such facts as are necessary and relevant to support the conclusions. In Chapter II, it has briefly reviewed the growth of the stores organizations in the railways and set out the present working as a background to what is stated later. The structure of the rest of the report follows generally the terms of reference. Chapter III pertains to procurement of stores, the policies and procedures and recommendations in connection therewith. Chapter IV deals with various aspects of payment of Supplier's Bills and recommendations for simplification of procedures. Chapter V relates to the procedures followed on the railways for the disposal of surplus stores and recommendations thereon.

The Committee has, in this report, not touched upon the organizational requirements as it proposes to deal with them in subsequent reports.

The concluding Chapter contains a brief summary of the main recommendations. At the end there are Appendices which have been referred to at the appropriate places in the body of the Report.

CHAPTER II

RAILWAY STORES ORGANIZATION—PROBLEMS— BRIEF REVIEW OF CURRENT WORKING

2.1. **Role.**—The operation of the Indian Railways depends on the timely supply of over 100,000 items of stores of components, spares, raw materials, consumables, uniforms, stationery, etc. The range of items dealt with cover a wide variety, procured from within the country and abroad through different agencies. Progressive modernization of the Indian Railways in the Plan periods such as introduction of diesel/electric traction, new types of coaches and wagons, sophisticated signalling and electronic equipment, etc., has naturally led to an increase in the number of inventory items by a significant extent and consequently in the problems associated with procurement and inventory control. Shortages of materials inherent in a developing economy, have further aggravated these problems and of material planning.

2.2. The total expenditure of the Indian Railways during 1972–73 was Rs. 1,350 crores covering Revenue and Capital. If the dividend paid to the Central Government and the appropriation to the funds such as Depreciation Reserve Fund, Development Funds, etc., are excluded, the net expenditure comes to Rs. 1,175 crores comprising Rs. 823 crores revenue and Rs. 352 crores capital. The value of stores and equipment including fuel, ordered during the year comes to Rs. 541 crores. Excluding fuel, the value of stores and equipment alone ordered comes to about Rs. 440 crores *i.e.* roughly about 40 per cent of the budget expenditure.

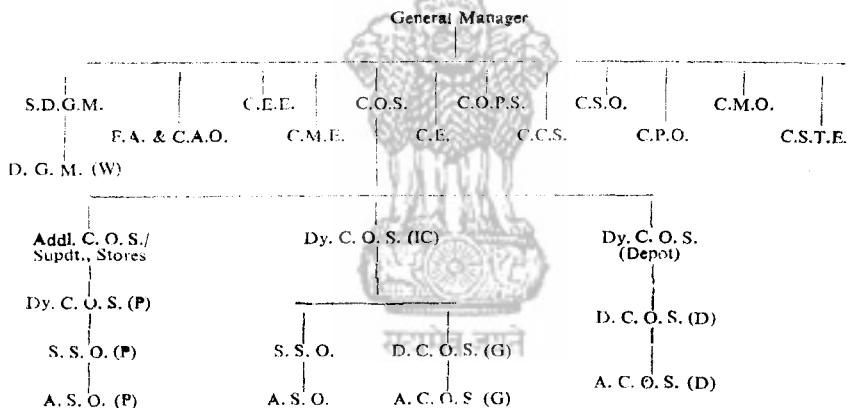
2.3. The value of inventory carried by the Indian Railways was Rs. 204 crores on 31st March 1973. We noted that this balance has come down to Rs. 187 crores on 31st March 1974.

2.4. **Organization.**—The Indian Railways consist of the nine Zonal Railways and three Production Units viz., I. C. F., D. L. W., C. L. W., each under a General Manager. Materials management functions are completely handled by the Stores Department functioning under a Controller of Stores directly responsible to the General Manager. The Controller of Stores is responsible for the assessment of requirements, purchasing, inspection, stocking, issue and account of stores and disposal of surplus and scrap. He is assisted by Additional Controller of Stores/Superintendent Stores, Deputy Controllers of Stores, District Controllers of Stores/Assistant Controllers of Stores etc. in discharging the functions. The total annual cost of the Stores Organization in railways in recent years is about Rs. 14 crores approximately. The total number of officers and staff employed in the Stores Department on Indian Railways in 1972–73 was as under—

	Stores Department	Total strength on the Railways	Percentage of the strength of the Stores Officers to the total strength
Officers, Class I & II ..	351	8,729	4.00%
do. Class III ..	17,374	606,628	2.86%
do. Class IV ..	20,893	797,660	2.62%
Total ..	38,618	1,413,017	2.73%

All the items of stores regularly required by the railways for repairs and maintenance, execution of works, production, etc., are maintained in stock and the stock is periodically replenished. The stocking depots are General Stores Depots, Loco Stores Depots, Carriage and Wagon Stores Depots, Signalling Stores Depots, Construction Stores Depots, etc. The stocking depot supplies the materials to the indentors and submits replenishment requests to the purchase office at the Zonal headquarters. The purchase branch handles the procurement directly or through Director General, Supplies and Disposals or the Railway Board depending on the nature of item, the source of procurement and value of the purchase. Purchases are effected generally by the tender system placing the order on the lowest technically acceptable offer. A large number of rolling stock components are also manufactured by the railway workshops. These "shop-manufactured" items are replenished by the Depot Stores Officers by placing work orders on the workshops.

The organizational set up in a typical Zonal Railway is as under—



2.5. Stores Balances.—On the Indian Railways inventories are referred to as "Stores Balances" in the various accounts statements and returns. The figures of stores balances at the end of Plan periods and during the Fourth Plan are indicated in Appendix IV-A & B. The value of fuel stocked in railways is included in the stores balances and generally the value of fuel stocks held at any particular time is insignificant compared to its annual consumption. Therefore, the figures of balances have been shown separately "with fuel" and "without fuel" to appreciate the turn over of the balances to the total issues. In the statement (Appendix V), the important statistics pertaining to the Indian Railways for some years in the past have been indicated to appreciate the growth of railways and its impact on inventory/Materials Management. The "Stores Balances" include—

- (a) The cost of physical stocks of stores maintained in the stores depot, with civil engineering subordinates and of fuel (coal and diesel oil),

(b) Outstandings in suspense accounts which cover—

- (i) advance payments made to suppliers for stock items ;
- (ii) payments received for materials sold in auction and not delivered at the end of the accounting period, and
- (iii) outstandings in stock adjustment account.

The break up of the actual figures of balances under the above heads for the last three years is as under—

(Rupees in crores)					
	31st March 1971	31st March 1972	31st March 1973		
Cost of physical stocks in stores depots	96	116	126		
Cost of physical stocks with engineering sub-ordinates and construction stores.	30	29	27		
Cost of fuel—physical stocks/payments/adjustments.	3	(—)	1	(—)	1
Advance payment for stores ordered for stock purposes.	19	36	56		
Advance payment for stores sold but not delivered.	(—)	2	(—)	4	(—)
Uncleared adjustments	Nil	6	2		
Total	146	182	204		

The figures of “ Stores Balances ” excludes—

- (i) work-in-progress in various workshops and production factories ;
- (ii) materials-at-site for constructions ;
- (iii) imprest stores held by various rolling stock repair sheds and train lighting depots ; and
- (iv) material, “ *ab initio* ” charged off to major construction projects/production programmes.

The cost of stores held on this account is over Rs. 180 crores approximately.

2.6. Items of stores regularly required by the Indian Railways with a constant demand for its various operations are maintained in “ Stores Depots ” situated at different locations on a railway, which constitutes the “ Stock-in-hand ”. In terms of number of items, each Zonal Railway has roughly 10,000 to 40,000 stock items. Some items are stocked in more than one stores depot for feeding local areas. Thus the number of “ ledger accounts ”

(v) electric spares, etc.

The stock items are meant for meeting the repairs and maintenance needs of rolling stock homed at different points, the needs of rolling stock, repair workshops on the railway as also workshops for bridge girders, signalling, electrical engineering etc., needs of construction activity, needs of production activity if any, consumables, stationery, uniforms, production requirements in case of production units—I. C. F., D. L. W., C. L. W.

2.7. Indian Railways have perhaps the oldest established “Stores Department” in the country and inventory control techniques have been developed and systematized over a number of years. Since 1968, Indian Railways have initiated a number of modern techniques in inventory control and associated areas. These are—

- (a) codification of the items stocked on an all railway basis,
- (b) standardization and variety reduction,
- (c) selective control by ABC analysis, and
- (d) progressive computerisation in inventory accounting, management and controls.

The computerisation of stores accounting and inventory control has been comprehensively phased into five phases and is currently under implementation. In Phases I and II, all accounts ledgers have been brought on the computer and accounting statements, control information and exception reports for a variety of exception situations are being obtained from the computer. Phase III bringing the outstanding purchase orders on to the computer for selective chasing of orders has been completed. Reliable statistics on Vendor's performances are being obtained from the computer. In Phase IV payment of Suppliers' bill and maintenance of purchase ledgers are proposed to be computerised. Phase V covering the introduction of automatic re-ordering from the computer is under implementation in all railways. We were informed that these phases could be completed in about two years time.

2.8. **Replenishment procedures—Zonal Railways.**—Replenishment procedures apply to “stock items” i.e. those which are stocked in Stores Depots. The demands for “non-stock items” (which are generally of non-recurring nature) are met by direct purchase and the expenditure debited to the consuming

departments without passing through the stocking depots. Stock items are of two varieties—

- (i) "shop manufactured" *i.e.* manufactured in railway workshops.
- (ii) "Purchased" *i.e.* those which are purchased from the market.

2.9. Shop manufactured items.—These roughly account for 20 per cent of the total items. Replenishment is on the basis of minimum-maximum *i.e.* re-order level basis. Minimum and maximum levels vary from 3 to 9 months and are decided keeping in view the economic batch for manufacture, shop capacity etc. Currently, inventory levels for these items are about 3 months' stock, and items out of stock are 7 per cent of total items. "Out of Stock" is mostly due to want of raw materials, such as special class steel etc.

2.10. Purchased items.—Generally these items are replenished on the basis of an annual review conducted on a time table basis, taking up different "groups" of items in different months thus spreading the work around the year. The time table closely follows the schedule laid down by the Director General of Supplies and Disposals of the Department of Supply, for submission of indents to him. The programme envisages submission of indents 12 to 18 months ahead of the "contract period" which is 12 months. Even though the railway has to submit the indent to the D. G. S. & D. only for the purchases valued above Rs. 50,000 per item, the stocking depot submits a replenishment statement variously called contract estimate sheet, provision statement, balance return etc., to the purchase office for all the items indicating the requirements for the "interim period" and "contract period".

The preparation of the balance return is taken in hand by the stocking depot, well in advance to allow sufficient time to the headquarter to consolidate the statements received from various depots, carry out inter-depot adjustments of stocks and then to submit the indents to the D. G. S. & D. on the fixed dates. Generally, this period is about three to four months so that the statement is prepared 16 to 22 months before the period to which the requirement pertains. This 16 to 22 months period is called the "interim period".

For instance—

Item	Bolts with nuts.
Contract period	1st June to 31st May.
Date of submission of indent to D. G. S. & D.	1st June of the previous year.
Stocking depot to prepare balance return on	1st February of previous year.

	Stock on hand on 1st February 1974	Dues on order	Anticipated annual consumption	Requirement for interim period, <i>i.e.</i> , upto 1st June 1975 (16 months)	Requirement for contract period (12 months) 1st June 1975 to 31st May 1976
Item A ..	500	800	1,200	300	1,200
Item B ..	1,400	600	1,200	(—) 400	800

2.11. Coverage—Interim period requirements.—Theoretically, in case the usage has gone according to plans, interim period requirement has to be nil. Of course, in practice this has never been the case and the interim period requirement comes to some figure plus or minus. If the figure is minus, it would mean that the stock plus dues from earlier orders would be more than what is required to meet the demand in the interim period. The surplus is set apart for the contract period requirements or transferred to a needy depot. If interim period requirement is a plus figure, the stock plus dues fall short and the quantity has to be procured.

In case the interim period requirement is valued above Rs. 50,000 an express/*ad hoc* indent is placed on the D. G. S. & D., or depending upon the urgency, the railways arrange the purchases under emergency powers without going to the D. G. S. & D.

If interim period requirement is below Rs. 50,000 procurement is arranged straightaway by Purchase Branch of the railway.

2.12. Coverage—Contract period requirement.—If requirements exceed Rs. 50,000 a programme indent has to be submitted to the D. G. S. & D. In case the requirement is below Rs. 50,000 the procurement is arranged by the railway itself. However, procurement of the contract period requirement is arranged in different manner in different railways. In some railways, the requirement is arranged in full along with the interim period requirements. In some railways, the requirement is arranged limiting the purchase to 6 months requirement, balance to be recouped later through normal stock recoupment memos submitted for non-D. G. S. & D. items.

In some railways, if the contract period requirement is less than Rs. 10,000 the purchases are arranged along with the interim period requirement. If it exceeds this limit, the stores depots are directed to submit recoupment on minimum-maximum basis.

2.13. Buffer stocks.—Safety stocks to cover the variations in anticipated usage or in anticipated lead time is generally provided by adding a buffer stock requirement varying from 3 to 6 months to the interim period requirements.

2.14. Production Units.—Different procedures are followed by the different Production Units.

In one Unit as soon as an order is placed by the Railway Board for the Rolling Stock Programme, purchase action is initiated for all components

In another Unit, production components are grouped on the basis of "lead time" and procurement of a year's requirement is initiated on the basis of such lead time. Common user items are recouped on the basis of minimum-maximum (re-order level).

2.15. Demand forecast.—Forward period requirements are normally estimated, based on the past consumption. Generally, average of the last three years' consumption is taken to be the forecast for the "contract period" unless there is a definite trend (increasing or decreasing). The forecast is arrived at by the depot officer before the demands are worked out. The forecast of requirements of Loco and Carriage and Wagon components and spares required by Mechanical Workshops is vetted by the Production Engineer of the Shops. In the case of new items, the requirements are intimated by the consuming department who propose the stocking of the items. Similarly due to changes in procedures for repairs etc., if the consumption of an item is likely to vary, the Production Engineer gives advance intimation to the depot officer.

2.16. Emergency procurement.—Whenever the physical stock of an item drops to "danger level" defined generally as three months' requirements, and there is no immediate prospects of outstanding orders materializing, an emergency purchase is proposed through a "red signal". The purchase is limited to the quantity required to tide over the emergency but does not exceed three months' requirements.

2.17. Accountal of stores transactions.—Two sets of ledgers were being maintained till recently by all the Indian Railways—a numerical ledger by the Stores Depot and a priced ledger by the Stores Accounts. The numerical ledger was the basis for recoupment/re-ordering, etc. and it indicated receipts, issues and closing balance of the item besides historical data and outstanding dues on orders, etc. The ledger did not have the price or value balance and was maintained in the form of loose leaf kardexes in a cabinet. Corresponding to each "numerical ledger", Stores Accounts Department maintained a "priced ledger" indicating the receipts, issues and balances plus the average rate and value of the closing stocks. For each receipt, a fresh "Book average rate" was struck and subsequent issues were priced at this book average rate. The priced ledgers were maintained in the form of bound ledger books each page set apart for one item. There were also minor differences between the balances in the two sets of ledgers. After computerisation the system of maintaining numerical ledgers and priced ledgers separately has been discontinued and one file containing the relevant information is being maintained on a magnetic tape/disc. With the introduction of Phase III in computerisation, all functions namely posting of ledgers, initial recoupment, selective chasing of purchase orders for short supply/out of stock items, are being done through reports generated from the computers.

2.18. **Purchases and purchase procedures.**—The total value of equipment and stores ordered by the railways during 1972-73 is of the order of Rs. 541 crores. The break-up of the value of orders placed agency-wise for the last 4 years is as under—

(Value in crores on rupees)

	1969-70	1970-71	1971-72	1972-73
A. By the Ministry of Railways—				
(i) By the Railway Board ..	94.77	105.60	98.82	153.00
(ii) By the Railways ..	160.76	186.52	216.16	243.00
B. By the Ministry of Supply—				
(i) A.Ts./Running Contracts etc.	58.16	70.45	92.47	99.00
(ii) Rate contracts operated by the Railways.	31.53	34.78	49.77	50.00
Grand Total ..	345.22	397.35	457.22	545.00

A statement of the value of stores purchased (paid for) by railways during the year 1972-73 group-wise has been given in the Appendix VI. The total value of purchases made by the railways during the last 3 years could be given as under—

	1970-71	1971-72	1972-73
1. Stores of indigenous manufacture or of indigenous origin.	331.11	373.47	426.09
2. Stores imported direct	28.78	36.30	50.26
3. Imported stores purchased in India ..	3.81	3.75	9.48
Total ..	363.70	413.52	485.83

2.19. **Procurement through D. G. S. & D.**—The history of the Directorate General of Supplies and Disposals dates back to 1922 when a new department known as the Indian Stores Department (I. S. D.) came into existence as a Central Agency for the purchase and inspection of stores for public services. The creation of this department arose out of the findings and recommendations of the Stores Committee (1906) and the Indian Industrial Commission and the Stores Purchase Committee (1919-20).

In 1924, the then Government managed railways were asked to utilize the services of the Indian Stores Department for a few specified items. The company managed railways were also permitted to utilize this agency at their option. The specified items included textiles, leather goods, cement, certain classes of oils and lubricants, paints, electrical accessories, pipes and pipe fittings and sheets.

During the Second World War, several additional items were co-ordinated and purchased through the Department of Supply under necessities of control, priorities, etc.

In September 1950, the Ministry of Railways set up a Railway Stores Enquiry Committee under the Chairmanship of Mr. A. D. Shroff, to carry out a review of the Stores Organization on Indian Railways and to make recommendations for its improvement. The Committee recommended, *inter alia*, that the responsibility for obtaining supplies of items peculiar to railways and of those common user items which are essential for railway operation and workshop production, should be solely placed on the railways themselves. This was not agreed to by the Ministry of Supply and the matter continued to be under discussion between the two Ministries. The Ministry of Supply in the meantime set up a Stores Purchase Committee in 1953, which in its report in 1955, recommended that the existing Central Purchase Organization, *i.e.*, the D. G. S. & D. should continue; the *status quo* being generally maintained. This Committee also recommended that a high power purchase and development board should be set up consisting of whole time members including one member from the Ministry of Railways to make the Central Purchase Organization more responsible and responsive to the real needs of the indentors. While the first recommendation was accepted and implemented, we understand that the second recommendation was not implemented. Thus the system of procurement of stores through D. G. S. & D. by railways is continuing.

2.20. The stores required by the railways are divided into 75 groups and the procurement work is so arranged that the D. G. S. & D. receives a uniform load throughout the year. For this purpose, a programme-cum-vocab book has been published by D. G. S. & D. wherein the following particulars are furnished for each of about 11,000 items :—

- (1) Date by which indents for annual requirements are to be submitted ;
- (2) Time taken by D. G. S. & D. for finalisation of tender ;
- (3) Time required for commencement of supplies. On an average, the time taken for finalisation of tenders works out about seven months. The time taken for commencement of supplies on placing a contract varies from 3 to 12 months depending on the item. Contracts are entered into for a year's requirements.

2.21. In respect of normal maintenance requirements, railways review their stocks and dues and anticipated requirements for the contract period as stipulated in D. G. S. & D. programme-cum-vocab book and place annual programme indents on the D. G. S. & D. As earlier stated such programming has to be done at least 16-22 months in advance of the commencement of supplies. We were informed that in a large number of cases the actual pattern of requirements turn out to be considerably different from the anticipated figures and to meet such demands, railways place supplementary or *ad hoc* demands and do emergency purchases within their own powers.

2.22. The D. G. S. & D. enters into one of the following types of contracts for all indents submitted by the railways and other indentors :—

Rate contracts.—These contracts are for a specified period and fix only the price per unit of item. Items covered are common user items needed by all departments such as electrodes, general service lamps, tube lights, etc. Direct demanding officers from various indenting departments including the railways are nominated in the contract, to operate the contracts by placing call off orders directly on the suppliers.

Running contracts.—These are similar to rate contracts when the purchaser commits to order a specified quantity with a tolerance of plus or minus 25 per cent. Generally in these contracts, representative of indenting departments (including railways) are not included as Direct Demanding Officers and the contracts are operated by D. G. S. & D. only.

Acceptance of tender.—These are individual contracts for fixed quantities of specified items. In the indents while the railways stipulate instalment deliveries, we were informed that by and large, this does not prove to be very effective and the suppliers deliver the material in one instalment or more as may be convenient to them.

Wherever there is failure of supply, either due to delay in coverage of indent by the D. G. S. & D. or failure of supplier, emergency purchases are made by the C. O. S. for the quantity required to tide over the emergency which, generally, does not exceed three months' requirements.

2.23. **Remuneration for purchase work.**—For purchases upto Rs. 2 crores, D. G. S. & D. is being paid a remuneration @ 75 paise per Rs. 100 and for subsequent purchase @ 25 paise per Rs. 100. As regards inspection for all stores ordered by the D. G. S. & D. including Rate Contracts, the inspection is arranged by their own inspection wing prior to despatch of the material and remuneration @ 50 paise per Rs. 100 is being paid as inspection charges by railways.

2.24. **Non-D. G. S. & D. items.**—Purchases are effected by the railways generally by the competitive tender system placing the order on the lowest acceptable tenderer. Railways also directly procure items covered by

D. G. S. & D.'s vocab-cum-programme book where value of purchase is less than Rs. 50,000 and other items not covered by the vocab-cum-programme book irrespective of value.

(i) *Purchases valued above Rs. 25,000.*—Open/advertised tenders are issued by inserting a tender notice in the newspapers and Indian Trade Journal. Offers are opened publicly in the presence of tenderers' representatives. Offers are considered by a Tender Committee of three Officers (Finance/Stores/Indentor Department) and recommendations are submitted to the competent authority for approval. This covers roughly 40 per cent of the total purchases made by the railways in terms of value and about 4 per cent of the total purchases in terms of number of purchases.

(ii) *Purchases below Rs. 25,000.*—Each railway maintains an "approved list" of firms who are registered for various "groups" of stores such as castings, forgings, hardware, paints, etc. Tender enquiries are published in the form of weekly bulletin which is distributed to all the firms on the approved list. Offers are tabulated and considered by the Purchase Officer. Generally speaking, offers only of those firms registered for the type of stores are considered. The lowest acceptable offer with the required delivery is generally accepted by the competent authority.

In special circumstances, "Limited Tender Enquiries" are issued to selected firms from the approved list as also outside the approved list.

(iii) *Purchases below Rs. 2,000.*—Though the rules permit cash purchase of these items from the market, generally this procedure is resorted to only when the requirements are urgent. This should be so as otherwise heavy amounts of cash are to be handled.

2.25. **Inspection of stores.**—Inspection of all stores received against orders placed by Controller of Stores is done by the Depot Stores Officer. Where he feels necessary he uses the technical inspection facilities available with Chemist and Metallurgist Laboratories, Production Engineers and other technical user departments. In cases where advance payments on proof of despatch is agreed to, inspection prior to despatch is carried out using centralised agencies, such as Director of Inspection of Supply Department/R. D. S. O./Forest Department of State Governments (Timber only) and commission charges for inspection are paid.

2.26. In the above paragraphs we have briefly touched upon the systems and procedures followed in railways for replenishment of stores, purchase of stores, etc., to give an idea of the working and the magnitude of the problems facing the railways. In the subsequent Chapters while discussing our recommendations, we have considered in detail the procedures followed in respect of some of the other aspects like payment of suppliers' bills, disposal of surplus stores and disposal of scrap, etc.

CHAPTER III

PROCUREMENT OF STORES

3.1. **Procurement procedures.**—As earlier stated, there are three main aspects of Inventory Management viz., Procurement of stores, Payment of suppliers' bills and Disposal of stores, which were studied with a view to achieve the objectives of ensuring materials availability and at the same time keeping the inventory at the optimum level. We felt that these three aspects should be taken up first for achieving quick results and cover the same in our first report. As stated in Chapter I, we decided in the first meeting that some members should visit one Zonal Railway and Production Unit each and make a study of the procurement and inventory control policies, procedures, paper work etc. and submit a report for further consideration. Accordingly Shri Kamath, Shri Chandmal and Shri Rajagopalan visited Southern Railway, I. C. F., Western Railway, C. L. W., Northern Railway and D. L. W. and submitted their reports giving their suggestions for our consideration. The reports uniformly confirmed that there was wide scope for simplification of the purchase procedures by deleting certain redundant steps with a view to quicken the purchase, reduce the Lead Time and improve the inventory management. A copy of each of these reports is appended at (Appendix III).

3.2. We further decided that in order to study the systems and procedures in vogue on railways with a view to suggest simplifications, flow charts of some selected live cases on all the three aspects, explaining the detailed stages involved and the time taken for each stage, should be obtained from some of the railways for our further consideration. The flow charts were obtained from Southern, Northern, Western and Eastern Railways and studied.

3.3. Having gone through various reports it was clear to us that an elaborate system of controls exists in railways in all the three major areas, namely recoupment, purchase and store-keeping. We, however, felt that the systems prevailing in different railways are not entirely uniform; but vary in minor aspects in procedures, receipt methods, payments etc. We do recognize that in set organizations as large and as varying in size and multiplicity as the railways, it would not be prudent to make drastic changes as it may cause disruptions in day-to-day working thereby affecting efficiency. We felt that the best way would be to go step by step, first towards the streamlining of the existing systems. Many suggestions to achieve such improvements in working were suggested in the reports of four railways accompanying the flow charts. We examined the suggestions in detail.

While making our recommendations our aim has been to cut down or abridge certain activities thus reducing the time involved in getting at results, delegating powers to a greater extent and thus make for speed in procedures and making a switch from manual work to machine operation where possible, to reduce the time of each activity.

3.4. Provisioning procedures for Procurement of Stores.—We examined in detail the provisioning procedures followed in Indian Railways for estimating the quantity to be procured for the forward period. We found that the annual review system and re-order level system have been used concurrently. The annual review system is used more for items which are procured from D. G. S. & D. and other Central Purchase Organizations like Railway Board and J. P. C. etc. and re-order level system was used for all items procured locally. We also noted that Phase V of the computerisation of Stores Accounting and Inventory Control, namely taking over the onus of review and preparation of stock recoupments through computer has been introduced on all Indian Railways. We discussed the pros and cons of the annual review system and the re-order level system of recoupment in considerable detail. We are convinced that the re-order level system of recoupment and provisioning is, better suited for railways from the inventory control angle, for all items other than those procured through D. G. S. & D., J. P. C. and Railway Board and imported stores. We feel that for stores procured through sources such as D. G. S. & D., Railway Board and J. P. C. and imported stores the annual review system should continue to be adopted.

3.5. Review procedures.—We examined the system adopted in the railways for review of the consumption figures, re-order limits, allocation of surplus and over-stocks and phasing of the deliveries. We recognize that each one of these aspects will have serious implications on the inventory level stocked by the railways and also on the availability of the stocks for consumption. We were happy to note that A. B. C. analysis has been used extensively on Indian Railways for controlling the several aspects of materials management for allocating adequate priorities for some important areas which would give quick results. A statement giving the number of items and value of stores held in A. B. C. categories on a few railways is appended as Appendix VII. We feel that with the adoption of re-order level system for the majority of the items a separate schedule for a periodic review to examine all aspects stated above is necessary. We therefore, feel that 'A' category items, i.e., where the value of annual consumption is over Rs. 50,000 irrespective of the methods of recoupment—annual review or re-order level—should be reviewed every month personally by the Controller of Stores concerned to examine the levels of actual consumption, the limits required, the quantities to be declared as surplus or excess and rephasing of deliveries required in consultation with the heads of the Consuming Department wherever considered necessary. For 'B' category items where the value of consumptions is Rs. 10,000 to Rs. 50,000, half-yearly review should be conducted at the level of Deputy Controller of Stores personally. 'C' category items should be reviewed annually at the level of A. C. O. Ss.

3.6. Assessment of quantities to be procured.—We examined at length the existing procedures for preparation of recoupment sheets/estimate sheets, the assessment of the quantities for procurement, finance vetting, etc. followed in the railways. We found that the assessment made at the depot level is being checked at multiple levels both by the Finance/Executive branches. With the introduction of Phase V of the computerisation and the preparation of the

recoupment and annual review estimate sheets being taken over by the computer we felt that the multiple checking of the assessment should be done away with. As per the programme of Phase V, the recoupment sheets and annual estimate sheets printed in the computer are to be examined in detail by the Depot Officers with regard to limits, consumption levels and the quantity assessed for provisioning in consultation with the users where they consider necessary and with their associated finance for demands exceeding Rs. 10,000 before onward transmission to the Headquarters Office for initiating purchase action. We feel that the provisioning thus made by the Depot Officers should normally be accepted by the Purchase Officers without any additional scrutiny unless there were any new factors which had come to the specific notice of the Purchase Officers necessitating changes in the assessment made by the Depot Officers. We do feel that in the case of items of 'A' category where the annual consumption is Rs. 50,000 or above, it is necessary to examine the assessment by the Controller of Stores in consultation with the consuming department before initiating purchase action. We do not agree that there is any necessity for associated finance to examine at this level, unless the Controller of Stores requires a specific opinion in any particular instance. At the depot level we also feel that the provisioning/assessment of the quantity to be procured should be done for all 'A' and 'B' category items i.e., all items which have annual consumption over Rs. 10,000 by the Depot Officers and in the case of 'C' category items, i.e., those which have annual consumption less than Rs. 10,000 should be done by the Assistant Controller of Stores or Senior Depot Store Keepers concerned.

3.7. Provisioning time.—We examined the provisioning time, i.e., the time taken to replenish stock and procure stores in a few railways. In one railway, the number of days taken is given below—

Procurement through	Total No. of days taken	Days used prior to taking purchase action	Days of purchase action
D. G. S. & D.	426	90	336
Open tender	222	101	111
S. L. T.	180	101	79
L. T./B. N.	154	101	53
J. P. C.	150	90	60
Rate contract	140	101	39

The break up, activity-wise of days shown in the second column in that railway is as under—

Scrutiny and forwardal	14
Provisioning	73
Filter Register	3
Preliminary and purchase made	11
Total	101

We feel that the time taken at present by the railways could be drastically cut down with improvement in the system suggested by us and with computer taking over the review of stocks and recoupment (Phase V of Computerisation of Stores Accounting and Inventory Control). We felt that provisioning time could be cut to 39 days (maximum) as follows :—

	Now taken	Revised method
Scrutiny and forwardal ..	14	14
Provisioning	73	15 (Maximum)
Filter and Register	3	3
Determination of purchase made and preliminary Work,	11	7
Total ..	101	39

C. O. Ss. of the railways were consulted on the time needed in the revised manual of 39 days. We are happy to record that they agreed that this time is adequate.

3.8. **Purchases through D. G. S. & D.**—We have examined the system of purchase of stores through D. G. S. & D. The position on date is that the railways' requirements of equipment and stores are being purchased by the Railway Board, individual Railway Administration and by the various agencies working under the Ministry of Supply as indicated below—

- (i) *Railway Board.*—The Railway Board purchase specialized and more important railway equipment such as complete rolling stock, wheels, tyres and axles (only from abroad), electrical signalling equipment needing indigenous development of capacity as well as certain items of stores namely rails, sleepers, imported steel, coal and items like wheel sets and roller bearings etc. supplied as "free supply items" to Wagon and Coach Builders, etc.
- (ii) *Individual Railway Administration.*—The Railways directly purchase items which are normally procurable by the D. G. S. & D., as under—
 - (a) Items with individual annual requirements below Rs. 50,000 in value ;
 - (b) Items necessary at short notice to meet unforeseen requirements as well as failure against D. G. S. & D.'s contracts (Emergencies) ;
 - (c) All non-I. R. S. components and items to individual Railways' own specifications ; and
 - (d) All items either under development or for which R. D. S. O. has not finalized drawings e. g., components of rolling stock of latest designs, diesel and electric loco spares etc.

- (iii) *Agencies working under the Ministry of Supply.*—Items other than those included in (i) and (ii) are purchased through the D. G. S. & D., New Delhi, in India and through the I. S. M., London and Washington.

We have noted that, as early as 1950, Railway Stores Enquiry Committee headed by Shri A. D. Shroff recommended—

- “(1) The present arrangements for obtaining supplies of Railway Stores, under which the responsibility rests on another Ministry, should be radically altered and the responsibility for obtaining supplies of items peculiar to railways and of those common user items which are essential for railway operation and workshop production should be placed on the railways themselves. Other common user items may continue to be obtained from existing Government agencies working under other Ministries.
- (2) A strong Centralized Stores Organization charged with functional responsibility for general superintendence and control over stores transactions on all Railways under a high level Officer, preferably of the status of a Member, Railway Board, should be set up. This organization should in addition, be responsible for procurement of important items of capital stores and equipment and other specialized items amenable to bulking as also for all imported stores items which should be cross-mandated on Director General, I. S. D., London or I. S. M., Washington.”

We noted that these recommendations were not agreed to by the Ministry of Supply and another Committee named “Stores Purchase Committee” was set up in 1953 which *inter alia* recommended as follows :—

- “(i) The existing Central Purchase Organization (C. P. O.) *i. e.*, the Directorate General of Supplies should continue. For the present *status quo* should generally be maintained between centralized purchases and direct purchases by indenting departments. Purchases of specialized stores should be progressively transferred to the C. P. O. as it becomes effectively equipped to handle larger purchases.
- (ii) A high-powered purchase and development board should be established to control and co-ordinate Government's purchase activities with particular reference to development of industries.”

We were informed that the first recommendation as above was accepted and second one dealing with appointment of High Powered Purchase and Development Board was not accepted. We have also noted that these very aspects were again considered by the Railway Accident Inquiry Committee,

1968 and also by the Administrative Reform Commission, 1970 who have *inter alia* recommended as follows :—

Railway Accident Inquiry Committee, 1968.—

- “(1) In our opinion, the over-dependence of the Ministry of Railways on the Directorate General of Supplies and Disposals for their requirements and the effect this has on the availability and procurement of stores is a matter of considerable concern.
- (2) We had, in Part I of our Report, referred briefly to difficulties which are being experienced in respect of items procurable through the D. G. S. & D. We have examined in some detail the procedure for and the position in regard to, the procurement of stores through the agency of D. G. S. & D. We find that—
 - (i) Despite the enormous industrial advancement made in the country during the last two decades and the improved material management methods which are being employed everywhere, the time intervals for processing of indents and procurements of stores have remained more or less unaltered. Their continuance in the present form is in our view unjustified.
 - (ii) It is unrealistic to expect an organisation as complex as the railways which has been developing at a fast pace and undergoing modernisation to assess its requirements of stores 24 months ahead. Further more, factors like an ever increasing and yet changing pattern of traffic which is closely linked up with the growth of industrial activity in different parts of the country, and the unpredictable law and order situation in the country which on the railways is reflected in the widespread incidence of thefts of railway material and cases of vandalism, make precise fore-casting of requirements in any event difficult but with a procedure which prescribes a lead time of two years make things impossible.
 - (iii) The position is depressing both in respect of the coverage of indents and the materialization of supplies. Not only was a very low percentage of the indents covered in time, but the extent of delays in the supplies on the basis of originally prescribed delivery periods ranged from 1 to 20 months. In addition to these delays the supplies against several contracts for which the original delivery dates had expired, in some cases years ago, still remained outstanding.
- (3) We express our keen disappointment over the delay in procurement of railway equipment and stores through the agency of the D. G. S. & D.

- (4) We are of the view that the functions of purchase cannot be divorced from the allied functions of standardisation, control on inventory, value analysis and control on consumption. Scientific materials management is possible only if the function of purchase is integrated with the other functions of materials management.
- (5) It appears to us that too much has been made of the benefits resulting from bulking and that too little attention has been paid to disadvantages inherent in the system of procurement of stores through an agency not involved in the running of the railways. In our view, the disadvantages in the system clearly outweigh the advantages.
- (6) We are clear in our minds that responsibility for the procurement of stores should rest squarely with the Railway Board and the Railway Administrations without bringing into the picture the agency of the D. G. S. & D.
- (7) We think that this will lend stability, permanence and continuity to the procurement of railway equipment and stores and would impart a greater sense of urgency to the officers of the railways entrusted with the responsibility of materials management."

Administrative Reform Commission, 1970—

"The railways should be permitted to procure the Stores special to them through their own organizations."

We noted that the Ministry of Railways had accepted these recommendations regarding the transfer of procurement work from the Ministry of Supply to the Ministry of Railways. We have carefully examined the existing method of obtaining items needed by the railways through the D. G. S. & D., and we feel that there is a strong case to fix this responsibility on railways themselves. We are generally in agreement with the views expressed by the Accident Inquiry Committee, 1968. The present delays in procurement, the number of items not covered by D. G. S. & D. even after a long time, the inspection standards and the lack of contact between the suppliers and purchasers in D. G. S. & D. purchases support the views that it will help the railway if these purchases are taken over from D. G. S. & D. We are happy to learn that the Cabinet have since approved a proposal to transfer the purchases of all those items which are exclusively used by the railways from D. G. S. & D. to the railways.

We welcome this decision and suggest that purchases from Public Sector Undertakings like the Indian Oil Corporation, H. M. T., etc., made by the Railways could also be taken over from the Ministry of Supply. This would promote better supplier relationship, better co-ordination for phased receipt of supplies and better meeting of the needs on technical grounds, with no risk at all of the purchaser paying more to the Public Sector Undertakings. We recommend that the Ministry of Railways should present this proposal to the Cabinet for a decision.

3.9. Tendering systems.—We noted that several system of tenders namely open tenders, advertised tender, limited tender, bulletin tender, special limited tender etc. are in use in Indian Railways for selecting the supplier. In brief the method followed in each system is as under—

- (i) *Open Tender.*—This system is also called Advertised tender. In this method wide publicity is given to the requirement by publishing the tender notices in principal newspapers as well as in the Indian Trade Journal. On a specific request from the firm, tender forms together with the details of requirements are sold and sale is not restricted and all firms whether registered with the railways or not, are permitted to purchase tender forms and give their offer. This system is generally adopted for all purchases valuing Rs. 25,000 and above. The offers on receipt, are considered by a committee (Tender Committee) consisting of officers drawn from Stores, Finance and indenting Departments, for finalising recommendations and put up to competent authority for approval.
- (ii) *Limited Tenders and Special Limited Tenders.*—Under this system the enquiry form giving details of requirements are sent to selected firms having the necessary capacity-cum-capability to supply the stores from out of the approved list of suppliers maintained by the railway. The offers on receipt are considered by the Purchase Officer competent to approve the purchase without having to go through the Tender Committee. However, in some cases of urgent requirements, where only a small number of firms are known to have capacity-cum-capability, even though the value of the requirement is over Rs. 25,000 limited enquiries are issued to selected firms out of the approved list of suppliers. These are called special limited tenders. In these cases the offers on receipts are, however, considered by the Tender Committee for finalising recommendations and put up to the competent authority for approval.
- (iii) *Bulletin Tenders.*—This is another form of Limited Tender. The requirements of the Railways are included in a Bulletin printed and published weekly by the Controllers of Stores. This bulletin is supplied to all the firms included in the list of approved suppliers, maintained by the Railway, on payment of the subscription. Offers are received from the interested suppliers and considered by the Purchase Officers within their own powers of purchase for acceptance. Each railway is generally having 2,000/3,000 firms on the approved list of suppliers and these bulletins are despatched to each one of them. This system is adopted for all purchases below Rs. 25,000.
- (iv) *Single Tender.*—Under this system the Tender Enquiry is sent only to a single supplier. This system is, therefore, restricted to

small orders not exceeding Rs. 2,000 in value in case of non-proprietary articles and upto Rs. 10,000 in the case of proprietary articles. Where it is possible to certify that similar articles which can be used in lieu, are not manufactured, or sold by any other firm in the country, the Controller of Stores and his Purchase Officers are competent to adopt this system for all purchases within their powers of purchase.

In para 3.7 we have given a summary of the number of days taken for these tender purchases. It shows very clearly that the Open Tender system entails the maximum number of days in procurement second only to the time taken for procurement through D. G. S. & D. In the current market condition we feel that a Limited Tender system is likely to bring in greater and more effective results than an Open Tender system. The criticism that the public has been shut out by resorting to limited tender system in meeting the railways' requirements can be met by having a proper method of enlistment of suppliers item-wise according to their performance and capacity-cum-capability. We also note that the existing powers for issuing of limited tenders, namely Rs. 25,000 were issued sometime ago. There has been a considerable price increase in commodities since then. We have also seen that the critical/vital items required by the railways for operation are generally supplied only by some selected suppliers who have the know-how and capacity/capability and issue of open tenders do not necessarily help in getting a wider response. We have considered the pros and cons of issue of various types of tenders and we feel that taking into consideration the above factors and in view of the overall increase in prices in the past few years, **the limit for issuing of advertised tenders should be increased to Rs. 50,000 and purchases below this limit should normally be made through issue of Bulletin Tenders only.** We have noted that in bulletin tender system the clerical work is less and there will be good competition as bulletins are supplied to all registered suppliers. We also recommend that **in some special cases like safety items etc., where the sources of supply are limited, irrespective of the value of the purchase, limited tender system should only be adopted, limiting the issue of tenders only to known sources which have the required capacity-cum-capability for supplying the stores.** We agree with the present limit for issue of single tenders to Rs. 2,000 only for each item except in the case of proprietary articles and we do not feel that there is any necessity to revise these powers any further.

3.10. Registration of Suppliers.—We examined the present system of registration of suppliers in railways. We found that while full time development officers were posted in the production units no such organization exists in open line railways. We found that the procedures for registration of suppliers have been laid in a thorough manner but the implementation of the same has not been upto the mark for want of suitable organization for dealing with the subject in the railways. A copy of the Railway Board's instructions on the subject is given in Appendix VIII. We have found that there is no up-to-date list, furnishing the names of suppliers item-wise, readily available with railways. We have also noted that there is no proper system of weeding

out of the ineffective suppliers in regular systematic manner. We have noted that the Public Accounts Committee in their 126th report (1973-74) *vide* Recommendation No. 2.62(i) have observed as under—

“The firm in question is stated to have been registered with the Government, both with the railways and the D. G. S. & D., since 1942. The relevant orders were placed on the firm about two decades later. The Committee are, therefore, unable to agree that there was no necessity of ascertaining the capacity of the firm to manufacture the equipment at the time of placing the orders. According to them it is not correct to assume that a verification of the capacity of the firm once done will hold good for all times. A system of periodical verification say once in **five years** appears called for in view of the unpleasant experience in this case.”

We are, therefore, convinced that a procurement and development cell supervised and monitored by officers (one each from Engineering/Purchase and Finance branches) should be organized in each of the railways and production units for dealing with these important aspects, such as registration, review, development and maintenance of item-wise lists of suppliers for guidance of the purchase officers. We have further noted that the vendor performance statistics could be made available readily by the Data Processing Centre with implementation of the Phase III of stores computerisation and thus most of the data necessary for proper maintenance of lists to ensure that only the good firms having capacity-cum-capability are kept in the registered list of Suppliers on the railways, are readily available.

We further recommend that this cell should also look after the indigenous ancillary development and maintain lists of approved suppliers item-wise for all high value items so that at the time of evaluation of the offers the detailed data on the capacity-cum-capability of the firms are invariably available to the tender committee for a proper selection.

3.11. **Delegation of purchase powers in C. O. S.'s Office.**—We studied the purchase powers delegated to various officers in the Purchase Organization of railways. Taking into account the functions entrusted to them, we feel that it is too restrictive and it is necessary to increase the monetary powers and thereby help in expediting the procurement of stores.

We realize that in a seller's market existing in our country, a number of items are becoming scarce. Keeping this in view and having regard to the total value of the purchases made in each railway, we felt that the existing delegation of powers of purchase to various officers in the Office of the Controllers of Stores should be liberalized and redelegated as under—

A. C. O. S.	..	..	Items valued upto Rs. 5,000 to Rs. 10,000
D. C. O. S.	..	..	Items upto Rs. 25,000
Dy. C. O. S.	..	..	Items upto Rs. 50,000
Additional C. O. S.	..	..	Items upto Rs. 75,000
C. O. S.	..	..	Items upto Rs. one lakh.

We have suggested the above delegation of purchase powers upto Rs. one lakh keeping in view the present delegation of powers to General Managers and Controllers of Stores. We understand that the powers of the General Managers for purchase of stores have since been increased from Rs. 50 lakhs to Rs. one crore. With this increase we recommend that the powers of Controllers of Stores may also be increased to Rs. 30 lakhs similar to that delegated to D. G. S. & D. and that of the Additional Controller of Stores to Rs. 5 lakhs.

In certain railways there is a practice that the purchase proposals beyond the competency of the Controller of Stores are approved by Dy. General Manager (G) on behalf of the General Manager. Some Controllers of Stores informed us that although the level of the Dy. General Manager (G) is lower than that of Controller of Stores, still the purchases are being approved by Dy. General Manager on behalf of General Manager and expressed the view that this sanctioning powers could be delegated to Controllers of Stores themselves. We examined the subject in depth and feel that it may not be desirable to lay any rigid guidelines ; but it should be left to the individual discretion of the General Managers whether they could authorize the Controllers of Stores themselves rather than the Dy. General Managers for according such sanctions.

3.12. Phasing of the deliveries.—During our deliberations, we found that phasing of the deliveries was not, at present done regularly in all high value cases by the railways. Selected cases indicated that such phasing where done was more to suit the suppliers rather than the purchasers. We feel that the inventory levels are high in some railways and production units mainly on account of gross failure in this respect. We, therefore, recommend that railways should be directed that the phasing of the deliveries is a must in the case of all high value items for having effective inventory control and the Indian Railways standard conditions of contracts should be amended suitably so as to stipulate instalment deliveries invariably in all contracts. We also feel that there should be a condition in the standard conditions of contract that should a demand vary, the purchaser should be empowered to amend the quantities ordered (downwards as well as upward) suitably giving a clear 90 days advance notice to the suppliers and it should be binding on the suppliers to accept the change. We were informed that such a system is in vogue in leading firms and it has helped them in keeping the inventories at the lowest level possible.

3.13. Advance allotments for long lead items.—We examined, whether any radical change in the system of forecasting and procurement of materials could be formulated to achieve the objectives viz., prompt availability of stores, consistent with reduced level of inventories. We noted that in railways having the Parliamentary system of control, it would not be possible to assume financial allocations for forward years and initiate any procurement action on that basis. The financial allocations are known only for the year for which budget was approved by the Parliament. However, as per provisions of Para 507-S of Stores Code, there is a system available in the railways for arranging purchases and entering into commitments for general purpose Stores for deliveries

in the succeeding years and thereafter. In view of the above limitations and in view of the fact that a suitable provision already existed in procedures for entering into advance commitments, we agree that no further radical change in the existing system of financial allocations is necessary in the case of purchases for long lead items. We, however, feel that in the case of Production Units, the production programme should be normally approved on a 5 years basis by the Railway Board for a full plan period subject only to minor modifications so that long term planning could be done for long lead items of spares and machinery required by the Production Units.

3.14. Powers for purchase of stationery items.—Generally all stationery items are indented by railways on the Chief Controller of Printing and Stationery and indents are submitted annually. We found that the supplies of stationery have not been quite adequate for some years now and railways had to use emergency purchase powers for stationery items very often. The present emergency purchase powers of stationery are three months requirements or Rs. 5,000 whichever is less. These powers were delegated in 1952 under the Ministry's letter No. F(X)II-52/PW-4/1 dated 11th October 1952. There is an acute shortage of items of stationery in the country and the present prices are also 300 per cent to 400 per cent higher than those existed in 1952. We were informed that Controller of Printing and Stationery has not been able to supply fully due to various reasons, such as inadequate production, non-supply by suppliers and adequate quantities not being available for distribution, etc. In view of this we feel that the present emergency powers for purchase of stationery items should be revised as these are too low. We, therefore, recommend that Ministry of Railways should approach the Ministry of Supply for revising this limit to lower level of three months requirements or Rs. 25,000 as the case may be to provide some relief to the railways for ensuring adequate supply of stationery to the departments of Railways.

3.15. Purchase of Imported Stores.—As per existing instructions, the General Managers of the Indian Railways including the Production Units have been authorized to release foreign exchange not exceeding Rs. 5,000 in each individual case subject to an overall ceiling of Rs. 50,000 for the half year for the import of essential and urgent requirements of spares for the railways. The aforesaid powers are subject to certain conditions which *inter alia* include that—

(a) The delegation is personal to the General Managers and is to be exercised in consultation with the F. A. & C. A. Os. personally ;

(b) The delegation of the powers are to be exercised by the General Managers only for procurement of those items which are not available indigenously or for which suitable Indian substitutes are not available and the indigenous clearance is to be obtained from the appropriate authority before making any such purchase ; and

(c) The delegation in question is not to be used for releasing foreign exchange for air-lifting of the items irrespective of the amounts involved.

Some Controllers of Stores have represented to us regarding the liberalization of the above powers of General Manager for sanctioning foreign exchange including air-lifting of consignments. We discussed this subject in depth and we are of the view that in view of the critical foreign exchange position in the country the present delegation of powers are quite adequate and the cases of air freight stores should only be very rare and exceptional and these powers need not be given to General Managers and railways should plan their purchases sufficiently early so as to avoid air freighting. We, therefore, feel that no change in the existing system is called for.

3.16. Powers for accepting unusual terms and conditions.—As per Stores Code, Paras 419-S and 420-S any unusual conditions of contract should before acceptance, be approved by the General Manager acting in consultation with his Legal and Financial Adviser or if the contract to which they relate is beyond his powers to execute, by the Railway Board. The interpretation to be placed on the word “unusual” is left to the General Manager who will use his discretion both in issuing instructions as to the cases to be submitted to him and also in deciding which cases should be referred to the Railway Board. Some Controllers of Stores represented to us that these powers should be redelegated further to the Purchase Officers fully for dealing with all cases within their powers of purchase. They also further represented that in some special cases when suppliers desire to deliver the stores by road they should be able to accept the same without any specific approval of General Manager as according to the standard conditions of contracts followed in railways, supplies are to be delivered generally by rail and any deviation will have to be treated as an unusual condition.

We have noted that the Railway Board have already accorded their approval for the delegation of powers to Controllers of Stores and Purchase Officers regarding the acceptance of certain unusual conditions of contract *i.e.*, Statutory variations regarding prices on account of taxes, levy on imports, variations in price of non-ferrous metals, variations in rates of exchange, wages escalation upto Rs. 1 lakh, advance payments upto 98 per cent of the value on proof of inspection and despatch and in addition it has been laid down that for orders upto Rs. 10,000 no financial concurrence is necessary for acceptance any deviations from the I. R. S. conditions of contract by the Purchasing Officers.

We discussed the pros and cons of giving a blanket sanction for complete delegation of all types of unusual conditions of contracts to the Purchase Officers within their powers of purchase. We are of the view that such a blanket sanction is not desirable and the acceptance of the unusual terms and conditions of contract depends upon the implications of the exceptions asked for. We do not therefore recommend any change in the existing rules.

CHAPTER IV

PAYMENT OF SUPPLIERS' BILL

4.1. We have considered the general aspects of procurement procedures in Chapter III. In this Chapter we propose to deal with the aspect of payment of suppliers' bills. As stated earlier, in order to study the existing system on Railways thoroughly, we obtained flow charts explaining the various stages and time taken in each stage from four selected railways. We found from a perusal of all these flow charts that complaints about inordinate delays in payment to suppliers by railways are justified in some cases and we are convinced that this is bound to affect the prices quoted by the suppliers to the disadvantage of the purchaser. We have, therefore, suggested some simplification in the procedures so that the payment of the suppliers' bills could be done expeditiously.

4.2. At present all the stores' bills whether for stock items or for direct delivery are received in the accounts office for linking with the purchase orders, the amendments, if any, and other connected documents before passing the bills for payment. The bills for stock items are received by the Stores Accounts Officer and the bills for direct delivery orders are received by the Accounts Officer who maintains the accounts of the direct delivery consignees. On receipt of stores from the suppliers, both in the case of stock items and in the case of items for direct delivery, the consignee has to prepare a receipt voucher called receipt note in token of having received the goods in good condition and copies of the same are to be forwarded to (a) the suppliers for preferment of bills, (b) to the Controller of Stores and the Accounts Officers in token of intimation of the receipt of materials for arranging necessary payments. We found that in Western Railway the Accounts Department takes not more than 6/7 days on an average to pay the suppliers' bills. In the case of Southern Railway it takes 12 to 15 days and in Eastern and Northern Railways the time taken is more or less the same.

4.3. A suggestion was made to us that all the Stores bills should be received in the Office of the Controller of Stores for linking with the relevant purchase orders, amendments and other connected documents before being passed on to the Accounts Department for payment. It was also suggested to us that the cheque signing powers should be delegated to Purchase Officers and to subordinate staff in the Accounts Department to issue cheques over their joint signature upto a specified limit beyond which cheques should be signed by the Assistant Accounts Officer for the purpose of expediting the payment. We

have examined all these suggestions in detail and discussed the same with some F. A. & C. A. Os. We found from the data furnished by the Western Railway that it does not take more than 6 to 7 days in the Accounts Office and the existing procedures in vogue there regarding payment of suppliers' bills was streamlined and uniform. In considering any organizational change in handling, check and payment of stores bills, it is important to note the difference in procedure applicable to supplies made for depot stock and those delivered direct to indenting departmental officers. Stores bills for depot stock are scrutinized and paid by the Stores Accounts Office located conveniently near the Purchase Department, while bills for direct delivery supplies are paid by the Accounts Officer of the indenting department. If all the stores bills should be first received by the purchase office for linking with relevant documents and then passed on to Accounts Department, we will be introducing one more layer for the purpose of scrutiny of the bills. We found that the Accounts Department is at present well organized and is fully equipped to discharge the various functions for passing of the suppliers' bills. The necessary records are properly maintained and where the suppliers' bills were required to be paid after receipt of the goods, the credit in the suppliers' account has to be verified through the relevant accounting records. We consider that the co-ordination and cohesion which is presently secured between bills passing and the accounting functions, will be lost if the bill passing work is transferred to Controller of Stores. Further, such a system cannot apply to direct delivery supplies since the necessary documentation for receipt of goods is initiated by the indenter over whom the Controller of Stores has no direct control. We were informed that the centralized payment of direct delivery stores by the Headquarters Stores Accounts branch was in vogue on some of the Railways but was given up both to expedite payment to suppliers as well as to reduce large unlinked balances in the Purchase Suspense Accounts. In view of the foregoing, we recommend the system followed in the Western Railway by the Accounts Department, whereby on an average the suppliers' bills are paid within 6 to 7 days. **We suggest that the other Railways may be instructed to study the system of the Western Railway and effect necessary improvements.** We also found that all Accounts Officers connected with payment to suppliers/contractors are authorized to sign cheques on behalf of the Railway Administration and there is no advantage in suggesting a joint signature for cheques as it will only delay payments.

4.4. Delays in the issue of the receipt certificate.—In the present system there are three methods for arranging payments, such as—

- (a) 100 per cent after receipt of goods in good condition.

(b) 90 per cent/95 per cent/98 per cent on proof of inspection and despatch and balance amount after the consignee had certified that the stores have been received by him in good condition.

(c) 100 per cent payment on proof of inspection and despatch.

It was brought to our notice that prolonged delays are taking place at consignee's end to furnish the receipt vouchers. In some cases the receipt notes are not furnished for months, because the consignee had lost interest after he has received the stores ; but such instances were not many. A suggestion was made to us, to have a centralized inspection and receipt depot at suitable points in the country to avoid delays in inspection and preparation of receipt notes. We are of the view that Centralized Inspection if introduced will involve multi-point handling and transportation and avoidable correspondence between the indentors, central depots and the suppliers. As regards stock items, inspection and receipt depend predominantly on the location of a depot in the main source of supply which is generally by the side of a workshop or the division etc. The procedure of inspection and receipt has to be in line with the supply arrangements. Any system which envisages centralized receipt and inspection without taking into account the above will involve creation of considerable warehousing facilities apart from criss-cross movements and handling without aiding the inventory management in any way. Looking into these aspects and taking into account the special features obtaining on railways we feel that there is no need for the creation of any centralized receipt and inspection depots. We, however, feel that **instructions should be issued to the consignees both in the case of stock items and direct delivery items that receipt certificates should normally be granted within 21 days of having received stores and in exceptional cases where detailed testing examination etc. are involved, the receipt notes could be issued after completion of tests but not later than 90 days from the date of receipt.**

4.5. Liquidated damages for delay in supplies.—The general standard conditions of the contract provides for recovery of liquidated damages at 2 per cent of the value of the stores for each month of delay. Time being the essence of the contract a clause of such nature is inevitable in any case. The criterion applied for such levy of damages are (a) where the consignee has suffered any inconvenience or loss on account of delays in supply and (b) where high prices have been accepted for contracted earlier deliveries. We found that in a number of cases the receipt notes were actually delayed mainly because of the need for a formal extension of delivery period with or without liquidated damages from the competent authority. We agree that in those cases where higher prices had been paid to the suppliers for earlier deliveries, there is no

question of any extension of delivery period without recovery of the damages. In such cases the existing instructions regarding the levy of liquidated damages should be strictly followed. In other cases comparatively small delays could, however, be condoned and suitable powers should be delegated to the consignees to deal with cases accordingly. We found that a grace period of 21 days beyond the expiry of the contract delivery dates is generally given in railways in the same manner as given by the Ministry of Supply for all contracts (except time preference) irrespective of the value. We agree with this system of giving a grace period of 21 days for non-time preference orders irrespective of the value of the contract. In other cases we found that the Depot Officers *i.e.*, consignees have been empowered to extend delivery dates upto 3/6 months for indigenous and imported supplies respectively subject to total value of contract being under Rs. 2,000, if there is no loss or inconvenience.

Some railways represented to us that there is a case for increasing this limit for grant of extension of delivery dates by the Depot Officer without going to the Purchase Office. As earlier stated, one of the main reasons for the delay in payment of bills of the suppliers, was due to delays in obtaining the extension of the delivery dates. **We, therefore, feel that the powers of the Depot Officer should be increased and he should be empowered to accept delayed supplies upto 21 days irrespective of the value, and upto 6 months for indigenous/imported supplies respectively, subject to the value of contract not exceeding Rs. 10,000 except for time preference orders (where there is no loss or inconvenience).** We feel that this relaxation will be of considerable assistance as the clerical work could be reduced and payment of all low value bills could be expedited while ensuring that there is no financial disadvantage to the railways as we found that very often only token liquidated damages or no liquidated damages were generally levied in these cases.

4.6. Receipt Notes as Negotiable Instrument.—One of the suggestions made to us was that receipt notes should be treated as Negotiable Instrument and this would expedite payments and enable suppliers to give competitive quotations. We feel, that this is a new concept. While the Bill of Lading and Railway Receipts issued by the shippers and the railways as carriers have, by long custom and usage, been accepted as negotiable, no document issued by the Government Department/Undertaking as evidence of supplies received or work done, has ever been treated as a negotiable instrument. Even the commercial practice does not treat a goods receipt note or even a work done bill as “negotiable”. What is actually done is that the debtor draws a bill and sends it to the creditor for “acceptance” for consideration received such as for goods supplied or work done. It will have to be examined whether the

Receipt Note issued by any Railway Officer can directly be treated as a negotiable instrument. This document is initiated at a very junior level and occasionally suffers from a number of errors/deficiencies which are detected and suitably corrected in the course of the Accounts check. Charges in respect of sales tax and other levies, and a number of "extras" in the case of steel supplies, have to be evaluated later on at the time of passing of the suppliers' bills. No bank will obviously discount a financial document which is not a specific acknowledgement of debt for a given sum of money. Further, in our system of working, the risk of fraudulent use of the suppliers' copy of the Receipt Notes for obtaining payment from Banks or financial institution will be quite considerable. For example, Receipt Notes for supplies where the supplier has already been paid 95 per cent/98 per cent against proof of despatch may be discounted.

We are, therefore, unable to agree to this suggestion that receipt notes should be treated as Negotiable Instrument and we recommend that no such change should be introduced.

4.7. Advance payments.—As stated earlier, railways are giving advance payments on proof of inspection and despatch upto 90 per cent/95 per cent/98 per cent of the value of the contract. A suggestion was made to us to consider acceptance of clauses stipulating 100 per cent advance payment against proof of inspection and despatch freely. We found that the General Managers of Indian Railways have already been empowered to decide such cases on merits in consultation with their F. A. & C. A. Os. treating those as an unusual condition of the contract.

We fear that in view of the credit squeeze by the Commercial Banks, the suppliers may stipulate such advance payment conditions and use Government funds as their working capital. We therefore, recommend that no such change should be normally agreed to. Another suggestion was made to us that railways should give freely cash advances along with the orders. We are unable to agree to this suggestion as well, as unless there is some financial benefit in favour of the buyer, advances along with the order should not be normally agreed to. We further feel that the policy of the Government of India regarding credit squeeze may be completely defeated if the Government Departments start giving freely advances along with the orders. We, therefore, feel that advances along with the orders should not be agreed to by railways, and even 100 per cent payment on proof of inspection and despatch should be given only in rare cases with the personal approval of the General Manager. We, therefore, recommend that no change in the existing system is necessary.

CHAPTER V

DISPOSAL OF SURPLUS STORES AND SCRAP

5.1. Surplus and overstocks accrue mainly on account of—

(a) Over estimation of the needs and failure to take timely action for revision of re-order levels, control, review of purchase orders etc.

(b) Changes in design of the plant and the equipment and introduction of new standards or procedures in place of old and scrapping of the plants for which there are stocks of spares available.

(c) Procurement of spares for non-standard rolling stock without reference to the life of such stocks.

From the Flow Charts received from the various railways, we found that until and unless an item remains without any issue for two years, practically no action is taken by any of the railways to identify the surplus and prevent its accrual. Similarly these flow charts revealed that the actual disposal action takes place, years after the identification of the item as surplus. Keeping these in view we have reviewed the existing systems and procedures for prevention of stocks from becoming surplus and have suggested suitable remedial measures in the following paragraphs for effecting improvement in the position obtaining on railways.

5.2. The first stage at which the likelihood of an item becoming surplus comes to the notice of the Controller of Stores is when the stock position is reviewed. In Chapter III—Para 3.5, we have suggested that a periodical review of all the items stated therein should be conducted with a view to revise consumption figures, re-order levels and location of surplus/over stocks and phasing of deliveries. We have recommended therein that—

- (a) “A” category items where the value of the annual consumption is over Rs. 50,000 irrespective of the method of recoupment—Annual review and re-order level system, should be reviewed every month personally at the level of Controller of Stores to examine the levels of the actual consumption, the limits required, quantity or quantities to be declared as surplus and rephasing of the deliveries required in consultation with the heads of consuming departments where necessary.
- (b) “B” category items where the value of annual consumption is between Rs. 10,000 and Rs. 50,000, half yearly reviews should be conducted at the level of the Deputy Controller of Stores personally to examine all the aspects mentioned above.
- (c) “C” category items where the value of the annual consumption is less than Rs. 10,000, annual reviews should be conducted at the level of the Assistant Controller of Stores for similar action.

We feel that if this review is initiated regularly, the change in pattern of consumption and the fact that an item is likely to become non-moving and surplus, would come to the notice of the Reviewing Officer sufficiently in advance so that remedial action could be taken for prevention of the accrual of surplus stores. We recommend that immediately after the review (monthly/half yearly/annually) for A. B. C. category items, the first step that should be taken is to isolate the surplus and overstocks and refer the same to the consuming departments as well as to other sister railways and production units (where it is felt necessary) giving a specified time of say 60 days for indicating the quantity which they could use and the period by which they expect the pattern of consumption to improve. Immediately after the aforesaid period is over after taking action in the light of their comments, the disposal action for disposable items could be taken very much in advance rather than waiting for the item to remain without issue for a period of 24 months.

5.3. As regards accrual of surplus stores due to changes in design and standards, we have examined the provisions of Stores Code, Chapter XXII. We find that a detailed procedure has been prescribed therein for anticipating the likely surpluses, the action to be taken by the consuming departments before the introduction of any changes in design and standards. In brief the departments are expected to inform the Controller of Stores in a prescribed *proforma*, indicating therein the likely effects of the changes in designs/standards. The Controller of Stores will have to furnish the stock position of the items that are likely to be rendered surplus/non-moving and also suggest a probable date by which the new design or standard could be introduced and give details of the estimated loss involved in the write-off of the items, if the designs/changes are introduced earlier. The head of the consuming departments will have to take an appropriate decision keeping in view of the importance of the changes in designs/standards required and the likely effects by way of losses due to surplus etc. If on account of changes in plan or specifications or the dearth of funds, materials obtained for a specified work, or for which a requisition has been placed, is anticipated to become surplus, a similar advise has to be given to the Controller of Stores to examine the possibility of the cancelling the orders or for using the materials elsewhere or in the alternative to intimate the losses involved to the indenter.

We found that these instructions are quite comprehensive and useful. However, we are sorry to record that our enquiry revealed that these instructions have not been followed strictly. Indian Railways are procuring stores to the tune of Rs. 500 crores annually. Indian Railways also have several types of rolling stock involving steam traction, diesel and electric traction, conventional and E. M. U. coaches and varieties of wagons etc. The systems of signalling and telecommunication in use are also complicated and highly technical. All these aspects will involve changes in design and standards with every new development. It is recognized that the Indian Railways will have to keep pace with the improvements in technology and introduce the new designs and standards as and when considered necessary to improve their

working. But it is imperative that all such changes in designs and standards should only be done keeping in view the losses that are likely to accrue due to spares and equipment becoming surplus and after weighing the pros and cons of introduction of such changes in designs and standards in detail. We, therefore, recommend that the provisions of the Chapter XXII in Stores Code regarding prevention of stocks from becoming surplus should be reiterated to all railways for a rigid implementation.

5.4. Procedure for disposal of (a) Surplus Stores.—We also reviewed the procedure for disposal of surplus stores in vogue on railways. The essential pre-requisite—as already stated for any item of stores to be declared as surplus stock on railways is that such item should not have been issued from stock for railways consumption for a minimum period of two years. Such surplus stocks are further classified as ‘Moveable Surplus’ comprising of such items which have not been issued for a period of 24 months but which are likely to be utilized in the near future and “Dead Surplus Stores” comprising of items which have not been issued for the past 24 months and which are not likely to be utilized on any railway within the next two years. However, no article can be classified as “Dead Surplus” unless it has been duly inspected by the Survey Committee and declared as such.

The functions of the Survey Committee are to inspect critically the condition of all the Stores—

- (1) that have deteriorated in value, for any reasons ;
- (2) broken or damaged in transit, or while in stock ;
- (3) lying in the custody of the Stores Department for a long time and considered by the Controller of Stores as having become unserviceable owing to obsolescence or other causes ; and
- (4) received as scrap from the line.

The Survey Committee should determine after such inspection—

- (a) what stores held in the depots should be treated as “Dead Surplus Stores” or as ‘Scrap’ ;
- (b) what stores should be classified and rated as Second-hand ;
- (c) at what rates and values such stocks should be held in the accounts books ; and
- (d) how such stores should be disposed of *i. e.*, by sale or by issue to particular uses of particular departments, etc.

The recommendation of the Survey Committee are to be approved by the General Manager. The Committee itself is appointed by the General Manager consisting of the heads or Senior Officers of the consuming departments or branches (about 3) with a Secretary nominated by the General Manager who will be an officer of a department other than the Stores Department. Railway Board have also recently relaxed these powers for items costing less than Rs. 500 so that the Depot Officer without referring to the

Survey Committee, can reclassify these items and rate them as "Second hand" or "Scrap" in consultation with the user departments. Controller of Stores has also been empowered to accept the recommendation of the Survey Committee upto a limit of Rs. 10,000 beyond which the personal approval of the General Manager will be necessary.

(b) **Over stocks.**—The maximum stock that can be held at any time is not ordinarily to exceed 50 per cent of the issue of each item during the year. This limit is applied only to the "Ordinary Stores" which have got a regular turnover caused by a constant demand. It is the objective of the Controller of Stores to keep the stocks well within this limit. Further detailed instructions are given in Chapter XXII regarding the disposal of such over stocks.

• We have examined these procedures along with flow charts of live cases received from the railways, and we are quite satisfied that adequate instructions exist in railways to initiate action on the surplus/overstocks for prompt disposal. But we would like to reiterate that railways should be directed to implement these provisions *in toto* to avoid unnecessary build up of surplus stores/overstocks.

5.5. We called for statistics regarding the items which have not moved for more than 24 months and those not moved for 12–24 months and those which have been declared surplus from some selected railways. The information is given in Appendix IX. We found from the Appropriation Accounts submitted by the railways that there is a steady increase in the value of the surplus stores held during the past 5 years as under—

Year	Value of total surplus stores in crores of Rupees
1968–69 सत्यमेव जयते	2.44
1969–70	5.40
1970–71	6.04
1971–72	6.71
1972–73	6.14
1973–74	5.25

We are unhappy to note the tardy progress made in disposal of surplus stores as well in the disposal of stores not moved for 24 months. We feel that railways should take urgent necessary steps to bring down the value of surplus stocks as well as stocks not moved for 24 months as much as possible. We examined in depth the reasons for the slow disposal of surplus stores in railways and we recommend the following steps for quickening the pace of disposal.

5.6. **Delegation of powers for approval of Survey Committee's recommendations.**—After going through the existing delegation of powers, we felt that there was a case for raising the financial limit of items beyond which

disposal would have to be recommended by the Survey Committee as well as raising the powers of the Controller of Stores to accept the recommendations of the Survey Committee. The statistical information obtained from a few railways about the number of items and value of surplus stores, value range wise is given in Appendix IX. It would be observed therefrom that over 80 per cent of the items by number and 10 to 15 per cent by value comprise of items which are below Rs. 1,000. We feel that the Depot Officer should be empowered to reclassify all such stocks valuing Rs. 1,000 and below and rate them as "second hand" and "scrap" in consultation with the users without having to process the same through a Survey Committee. Similarly we feel that the powers of Deputy Controller of Stores and Controller of Stores, for acceptance of the recommendations of the Survey Committee to reclassify such stores and rate them as "second hand" and "scrap" should be increased to Rs. 10,000 and Rs. 25,000 respectively instead of the present limit of Rs. 5,000 and Rs. 10,000. We feel that only cases where the value of surplus exceeds Rs. 25,000 should be referred to General Manager personally for his consideration. We are confident that with these increased delegation of powers, it should be possible for the railways to dispose of a large majority of items of petty value in the course of next two or three years, thereby improving the inventory management. The Controller of Stores of each railway should be directed to continuously review the progress every month so that substantial improvement is achieved early.

5.7. Composition of Survey Committee.—We examined the existing composition of Survey Committee, where the Depot Stores Officer is only a convenor and not a full fledged member. We find from the reports received, that the existing composition is weighed more in favour of holding back all the surplus stocks for a possible further use rather than adopting a positive attitude for disposal. We, therefore, feel that in addition to the three officers of the consuming departments and the Secretary nominated by the General Manager, the Depot Stores Officer concerned should also be made a full-fledged member of the Survey Committee so that he will be able to present his case better to the Survey Committee to arrive at a reasonable and proper decision regarding surplus.

5.8. Meetings of Survey Committee.—The Committee are distressed to note that at present the Survey Committee meetings are not being held regularly. In Para 2226 of Stores Code it has been stipulated that the meetings of the Survey Committee should be held once in a half year. The Committee feel that this frequency is inadequate for examination of the surpluses and scrap of the magnitude available in the railways. Unless the surplus stores and scrap stores are expeditiously dealt with and disposed of, no improvement can be expected in the holdings of inventories. We, therefore, recommend that the Survey Committee should meet in their stores depot regularly twice a month on any two fixed days (say 2nd and 4th Monday of the month) so that the items are regularly considered for inspection of the Committee and framing suitable recommendations for their disposal or otherwise.

5.9. Review of the undisposed items.—We noted that the surplus stores which are not disposed by sale, transfer or issue within 12 months of the recommendation of the Survey Committee are classified as “Scrap” and book value adjusted in accordance with Para 2229.S. From our study we find that these provisions have encouraged the railways to delay the disposal action upto 12 months after the recommendations of the Survey Committee. We feel that the time taken is quite abnormal. We recommend that the Railways should be directed to initiate action for disposal as recommended by the Survey Committee within one month of the date of approval of the Survey Committee’s recommendations and disposal action should be completed within a period of 3 months. We also recommend that the cases, in which the disposal were not arranged within the aforesaid period, should personally be examined by the Controller of Stores concerned for initiating suitable remedial action.

5.10. Imported surplus stores.—We find that no distinction is at present being made by the Railways between imported and indigenous stock while dealing with surplus. In our view such a distinction is essential in as much as it is relevant for us to know how well the railways have used the foreign exchange sanctioned and how much imported material is being written off. We, therefore, feel that for all the imported items a special mention should be made in the Survey sheet. We also feel that the Controller of Stores should be advised to exercise a rigid control on the disposal of these items.

5.10.1. Re-purchase of disposed items.—We recommend that no item disposed as surplus should be purchased for a period of one year from the date of disposal. However, if any item is proposed for purchase, specific approval should be obtained of the Head of consuming Department concerned and the Controller of Stores. Head of the Department indenting such material while giving approval should record the special reasons for initiating the purchase of an item earlier disposed of.

5.11. Spares for non-standard rolling stock—Disposal thereof.—From a study of the live cases submitted by the railways we found that in a quite large number of cases the surplus stores have accrued because of continuous procurement of spares for the non-standard rolling stock which have become obsolete without relation to their life.

The P. A. C. in their 116th Report (Fourth Lok Sabha) had also adversely commented on the accumulation of the non-standard Locos Spare Parts as under—

“ 3.138 The Committee observe that spare parts valued at Rs. 482 lakhs have been lying in stock with the North Eastern Railway for a number of years, in some cases for over twenty years. Of these spares worth Rs. 1.97 lakhs relate to locomotives most of which were condemned long ago. These “non-standard” parts are stated to have been inherited by the railway from the erstwhile company managed railways.

It is obvious that adequate and timely steps were not taken by the Mechanical Department of the Railway to prepare an inventory of these spare parts to facilitate their use, in other Railways where apparently some of them at least could have been used. It is unfortunate that when old engines for which some of the spares were acquired, were transferred to the North Frontier Railway, the spares were not transferred along with the engines.

- 3.139 The committee would like steps to be taken for the disposal of such of the spares as are not likely to be required. The committee would also like the Railway Board to issue necessary instructions in the light of their experience in this case with a view to avoid repetition of such wasteful stocking in future."

We have suggested earlier that the provision of the Chapter XXII of the Stores Code should be rigidly implemented to prevent such accrual. But in addition we feel that the purchase department should be given due notice i. e., 2/3 years in advance regarding the number and type of locos/wagons likely to be totally condemned by the Mechanical/Electrical Department, so that further procurement of such stores is initiated only on a "non-stock" basis while at the same time ensuring that the dues for the components of these rolling stock are pruned to suit the actual level of requirements for the remaining period in service. We, therefore, feel that fresh instructions ensuring implementation of these provisions, if issued, would be adequate.

5.12. **Spares with F. P. S. measurements—Liquidation thereof.**—We understand that metricisation of the spares and components in railways was planned on a big scale in railways from 1957 onwards and at present large number of items have already been switched over from F. P. S. standards to metric standards. But to our surprise we found that still some items of F. P. S. standards are in use. There were also surpluses on some railways on account of introduction of metric standards for these. Purchases of any stores and issue of tenders for stores having F. P. S. measurements is no longer valid in Law. We would, therefore, recommend that railways should be advised to liquidate the remaining items within the shortest period possible after drawing out a plan so that surpluses on account of these changes are also identified early and action initiated for their disposal.

5.13. **Disposal of scrap.**—There accumulates on every railway a large quantity of material of different kinds which is no longer useful for the purpose for which it was originally purchased or obtained by the consumer department. Such material is generally called scrap. These materials flow from the consuming departments, construction projects, workshops and are accumulated in various scrap yards of the railways.

The broad categories into which scrap is classified are as under—

- (1) Ferrous scrap.
- (2) Non-ferrous scrap.
- (3) Miscellaneous scrap.
- (4) Condemned rolling stock scrap.
- (5) Rails scrap.

5.14. The general policy for disposal of scrap that is finally declared unusable and surplus to railways own requirements is as under—

5.14.1. **Ferrous scrap.**—The scrap required for conversion, reclamation or use as such in railway workshops is retained for such uses and only materials not required for railways' use are disposed of, which is done mainly through auction sales.

5.14.2. **Non-ferrous scrap.**—Non-ferrous scrap has been broadly classified under the following five categories :—

- (i) Bronze scrap lump type of known composition ;
- (ii) Bronze borings lump type or mixed with ferrous drillings/brass drillings ;
- (iii) Bronze borings mixed type (mixed with white metal) ;
- (iv) Miscellaneous Non-ferrous scrap ; and
- (v) Non-ferrous residues and foundry dust.

Most of the non-ferrous scrap is used in railway foundries or is converted into standard alloy ingots by outside foundries for the Railways' own use. Only such low grade non-ferrous scrap as cannot be converted into standard alloys are disposed of through periodical public auctions.

Railway Board have imposed a ban on the disposal of 1st and 2nd categories of the non-ferrous scrap as the policy has been to utilize all the arisings by remelting for railways' use thus reducing the railways' requirements of virgin metals which even now and in the future are to be imported.

The railways are, however, authorized to dispose of surplus arisings of 3rd, 4th and 5th categories except that for 3rd category, the railways have been instructed to place conversion contracts with suitable firms, if white metal separating plants have not been installed in the railway workshops.

5.14.3. **Miscellaneous scrap.**—This category of scrap includes such items as timber off-cuts, empty drums and tins etc. It is disposed of by the railways by public auctions held at regular intervals. The frequency of the sales in a year depends upon the volume of the scrap accumulated in a scrap yard.

5.14.4. **Condemned rolling stock.**—Condemned rolling stock is disposed of like other scrap by public auctions after removing serviceable components including non-ferrous items that the railways may require for their own use.

5.15. After proper sorting and segregation in scrap yards, such scrap is put up before a Survey Committee consisting of three Senior Officers of the consuming Departments with a view to explore possibilities of the reclamation or conversion for use by departments of the railways and decide whether the item is to be finally disposed off. It is one of the important duties of the Survey Committee to inspect each lot and record its recommendations on the Survey Sheet. The Controller of Stores should then obtain the sanction of the General Manager to the sale of such articles by auction or tender if he finds that he is unable to dispose of by sale or by transfer to other railways or Government Departments. Reserve prices based on the best bids obtained at past auctions and any other information available are fixed by the Controller of Stores or the Depot Officer for each item of scrap to be sold in order that the items may be withdrawn from the sale if the bids are found to be unsatisfactory. Bids lower than the reserve prices are however accepted by the Depot Officer where found expedient, provided that the officer doing so records his reasons in writing.

5.16. The following items are at present exempted from being put up to the Survey Committee :—

- (a) Steel turning and borings ;
- (b) Condemned rolling stock (these are being condemned under competent sanction by C. M. Es. in consultation with F. A. & C. A. O's.);
- (c) Obsolete, second hand and scrap permanent way materials.—On account of large accumulation of rails on the railways the requirement of scrutiny of these by a Survey Committee before disposal has been relaxed as a temporary measure to effect prompt disposal and reduce the stores balances. This relaxation is, however, subject to a certificate from the Chief Engineer that the material declared for disposal is obsolete, second hand, or scrap and not required for use by the railways ;
- (d) Glass scrap ; and
- (e) Certain well identifiable items of scrap which are not at all of any use to the railways on the recommendations of the Standing Survey Committee.

5.17. The disposal of surplus/obsolete materials is reviewed in the Board's Office from the quarterly progress statements received from the railways regarding the progress of accumulation and disposal of scrap. The railways have been repeatedly told that there should be a close watch on the accumulation and disposal of all categories of scrap and condemned rolling stock and adequate measures should be taken for maximum utilization for Railways' own use and expeditious disposal of unwanted scrap so as to bring down the holdings.

5.18. We examined the existing system of the disposal and we found that there are adequate and detailed instructions available for the disposal of scrap.

However, we found that the disposal action is not at all satisfactory. A statement giving the value of scrap held Railway-wise as per Appropriation Accounts for the last 5 years is given in the Appendix X. Another statement giving the value of scrap disposed of and used Railway-wise for 1972-73 is also given in the Appendix XI.

5.19. It will be seen from these statements that the value of the scrap held by the railways has gradually increased and stood on 31st March 1973 at approximately Rs. 11 crores, i.e. 5 per cent of total Stores Balances and about 4 months arisings. **We feel that this accumulation is quite heavy and railways should take more vigorous steps to reduce the same and normally each railway should not hold more than a month's arisings in scrap of all categories.**

5.20. While examining the procedures we found that an item which has been once recommended to be scrapped and disposed of and accepted by the competent authority in terms of Para 2223-S of the Stores Code was again being put up to the Survey Committee and General Manager for approval of disposal in terms of Paras 2408-S and 2411-S. **We feel that this duplicate action is redundant and should be avoided. We, therefore, recommend that Code provisions should be modified suitably so that those surplus items recommended by the Survey Committee for reclassification as scrap and disposal should not again be put up for another Survey Committee.**

5.21. We enquired whether the scrap which is lying on line all along the Railways are included in the statement submitted to the Board regarding arisings and disposal of scrap shown in the statement. We were informed that they are not included nor we could get an idea of the value held as such as they are charged off to final heads of accounts. We were informed that as per the existing procedures of the Stores Code any stores including scrap which are not required for any use by the consumers should be despatched to the nearest Stores Depot by the Stock holders. If the Depot Stores Officer could not find any use by himself after consultation with his consumers, the items should be put up for examination by the Standing Survey Committee for initiating further necessary action regarding disposal. But we found that there is no machinery to persuade the indentors not to accumulate the surplus stores, scrap items lying with them. Generally, we are informed that there is a great reluctance on the part of stock holders to declare the items which are not required and to forward them to the nearest Stores Depot for necessary action on the presumption that the same will be needed for some other purposes at a later date. Our enquiry revealed that all stock holders have such tendency because of the general difficulty in getting stores and their anxiety to complete allotted works expeditiously with the stores available with them. As per Para 3202-S of Stores Code, stores in the custody of a department should be verified by Stock Verifiers of Accounts Department as under—

- (a) Materials at site of works and stores with imprest holders: once in two years.
- (b) All tools and plant: once in three years.

We also found that the Chief Accounts Officer has further got the powers to extend the periods between verifications or curtail the items to be verified where he and the General Manager agree that—

- (i) the reduction in check will not impair efficiency ;
- (ii) the reduced check will provide sufficient safeguards against the loss ; and
- (iii) a too rigid application of the rule is not conducive to the economy.

We also found that instructions exist in Stores Code that any item of stores which is surplus to the requirements or for which there is no demand for over a year, should be noted and included in the narrative Report of verification to be submitted by the Stock Verifier. We examined and discussed the matter thoroughly and we feel that the existing instructions are quite adequate ; but we feel that the Ministry of Railways should reiterate the existing instructions for a detailed and full implementation so that the inactive stocks available with the stock holders are transferred to the Stores Department for initiating proper quick review and disposal action. As the Railways are having financial difficulties, stores and scrap which are not required should be promptly identified and disposed of as quickly as possible. We were also informed that the departmental inspectors are conducting inspections regularly in which such review of the inactive items are also forming a part. We would like to reiterate that such departmental inspection of the branches should be made more thorough so that the position of stores held by the stock holders is regularly reviewed at least once in six months so that stores which are not actually required by the consuming department, are disclosed for further necessary action.

5.22 As regards Permanent Way Stores held with Engineering Department we found that the Railway Board have given detailed instructions authorizing opening of distinct heads in Permanent Way Stores viz., "Engineering Suspense—Surplus Permanent Way" and "Surplus stores awaiting sale" to identify all released stores. The stores charged of to the former head consisted of materials released from or left over from completed works and were temporarily surplus, but could be used and transferred to a different work. The latter head consisted of stores which have been transferred as surplus for ultimate disposal, to the Stores Department. The value of stores held on this account in all Railways on 31st March 1973 is given in Appendix XII. We were informed that Railway Board had issued instructions to fix division-wise targets for these heads to resist the tendency on the part of the stock holders to keep the stores without any actual use for long time in these heads. We are satisfied that these instructions are quite adequate. We were also informed of that 80,000 tonnes rails scrap were disposed of during 1973-74 realising a total sale proceeds of Rs. 14 crores. We, therefore, feel that no further instructions are necessary ; but the existing rules and regulations should be implemented fully.

(A 6 1974)

CHAPTER VI

SUMMARY OF RECOMMENDATIONS

We now summarise our main recommendations on the three aspects studied by the Committee and covered in this report *viz.*, Procurement of Stores, Payment of Suppliers Bills and Disposal of Stores.

Procurement of Stores

(1) The re-order level system of recoupment and provisioning should be continued for all the items other than those procured through D. G. S. & D., J. P. C., Railway Board and imported sources. The annual review system should continue to be adopted for stores procured through D. G. S. & D., Railway Board, J. P. C. and imported sources. (Para 3.4)

(2) A regular and periodical review of actual consumptions, the forecast consumption, revision of limits, the quantities to be declared as surplus or excess, and the rephrasing of deliveries required should be done by officers stated against each of the categories of the items listed below—

(a) For 'A' category items—Monthly review personally by the Controller of Stores, irrespective of the method of recoupment *viz.*, annual review or re-order level.

(b) For 'B' category items—Half yearly review by Dy. Controller of Stores personally.

(c) For 'C' category items—Annual review at the level of the A. C. O. S. (Para 3 5).

(3) The recoupment sheets and the annual estimate sheets will be examined in detail at the depot level ; consumption level and the provisioning required will be finalized at the depot level in consultation with the associated finance for demands exceeding Rs. 10,000. The Depot Officer will make the provisioning for 'A' and 'B' category items and A. C. O. S. and Senior Depot supervisors for 'C' category items. Except for 'A' category items, the provisioning made for 'A' and 'B' categories by the Depot officers shall be accepted by the Purchase Officers for purchase action. There shall be no additional scrutiny of these items unless the purchase officers have information of new factors necessitating changes in the forecasting made at the Depot level. (Para 3 6)

(4) For only 'A' category items, the Controller of Stores at the headquarters will examine the scrutiny and provisioning made at the depot level before initiating purchase action. (Para 3.6)

(5) Consequent on the implementation of the foregoing recommendations the provisioning time in the headquarters office is fixed at a maximum of 39 days, and it shall be the responsibility of the Controller of Stores to ensure that this time is not exceeded. (Para 3.7)

The Committee has also considered in relation to the procurement of Stores financial limits of authority delegated to the various officers in the Controller of Stores organization. The Committee recommends—

(6) Having regard to the increases in prices, the advertised tenders shall be in respect of items of Rs. 50,000 and above, and the purchase of items less than Rs. 50,000 shall be made through the issue of bulletin tenders only. (Para 3.9)

(7) In cases of safety items, where sources of supply are limited because of the special nature of these items, limited tenders shall be issued regardless of the value, to sources who have the required capacities and are capable of supplying the items to the needed specification. (Para 3.9)

(8) The registration cell existing in the Railway should be re-organized into Procurement and Development Cell, comprising an officer each from the Engineering, Purchase and Finance Branches. The Cell so reorganized should be asked to take up work of indigenous ancillary development as also the maintenance of lists of approved suppliers item wise for the use of the Tender Committee and the purchase officers. It shall be the responsibility of the cell to screen the vendors performance based on the information obtained from the Computer Cell. (Para 3.10)

(9) The financial limits of authority for purchase of stores now existing for the various officers in the Controller of Stores' office should be liberalized as under—

A. C. O. S.	Items upto	Rs. 5,000 to Rs. 10,000
D. C. O. S.	Items upto	Rs. 25,000
Dy. C. O. S.	Items upto	Rs. 50,000
Additional C. O. S.	Items upto	Rs. 5 lakhs
C. O. S.	Items upto	Rs. 30 lakhs

(Para 3.14)

(10) In the case of stationery items, the existing limit for emergency purchase should be revised to 3 months requirements or Rs. 25,000 whichever is lower and Ministry of Railways should take up the matter with Ministry of Supply. (Para 3.14)

The Committee have also considered certain other matters allied to and having a bearing on the procurement of stores, and recommend—

(11) The standard conditions of contract should be amended suitably to permit instalment/staggered deliveries in the case of high value items and the clauses of the contract shall permit the Railways to amend the quantities in the Purchase Order on giving a clear 90 days notice to the supplier. (Para 3.12)

(12) In the case of Production Units, corporate planning covering material procurement should be tried. The Ministry of Railways should approve the production programme on a 5 year advance basis for a full plan period, which will be subject only to minor modifications. Based on this, a material consumption and procurement programme which dovetails into the production programme should be developed. By so doing, material management would make for optimum inventory holding while making available the required items in time. A final recommendation will be made after the study now under contemplation has been completed. (Para 3.13)

(13) Purchases from Public Sector Undertakings should be done by the Railways themselves instead of through D. G. S. & D. The Railway Ministry should seek Cabinet approval for this change. (Para 3.8)

Payment of Suppliers' Bills

(14) The time taken by Southern and Northern Railways is much longer than what is justified. However, the Committee was informed that in the Western Railway bills are paid within 6 to 7 days. The Committee therefore, suggest that the other railways should study the Western Railway system as to how they are able to do the payment within 6 to 7 days and effect necessary improvements. (Paras 4.2 & 4.3)

(15) For small value contracts (excluding time preference orders) say upto Rs. 10,000, the Depot Officer should be authorized to waive liquidated damages for delays upto 6 months. In the case of high value orders the existing powers of Depot Officer to accept delayed supplies (except for time preference orders) upto 21 days should also continue. (Para 4.5)

Disposal of Surplus Stores and Scrap

The Committee recommends the following steps to be taken :—

(16) At the time of the periodical review for provisioning, the railways should throw up the surpluses and arrange for circulation of the lists of surplus items to the internal user departments as also to other railway systems giving them time of 60 days for indicating what they could use. (Para 5.2)

(17) On the expiry of the aforesaid period, the disposable items (not required for use) should be put up to the Survey Committee for taking action in line with the existing rules for disposing these items. (Para 5.2)

(18) Instructions should be issued to the railways to follow from now on strictly the procedure given in Stores Code Chapter XXII to anticipate/identify the surplus/overstock for prompt disposal *in toto* avoid unnecessary building up of the surplus stocks. (Para 5.3)

(19) The financial powers delegated to the officers for accepting the recommendations of the Survey Committee shall be revised as under—

(a) Depot Officer to arrange disposal without putting up before the Survey Committee—Rs. 1,000 per item.

(b) Acceptance of recommendations of Survey Committee by Dy. Controller of Stores—Rs. 10,000 per item.

(c) Acceptance of recommendations of the Survey Committee by Controller of Stores—Rs. 25,000 per item. (Para 5.6)

(20) The Stores Officer originating items for consideration of the Survey Committee shall be the convener as also member of the Survey Committee. (Para 5.7)

(21) The Survey Committee should meet in the Stores Depot regularly twice in a month on any 2 days which shall be fixed at the beginning of the year and applicable throughout the year. This would help in items being regularly and periodically considered for suitable recommendations for disposal. (Para 5.8)

(22) Action on disposal shall be initiated within one month from the date of approval by the competent authority and completed within a period of 3 months. (Para 5.9)

(23) In the case of imported stores, the Survey Committee should draw separate reports showing also how those items involving foreign exchange were procured. The Survey Committee should examine such items carefully before recommending disposal. (Para 5.10).

(24) Procurement of stores for non-standard rolling stocks likely to be condemned in the next few years should be initiated only on a non-stock basis after taking into account the number and life of such stock in service. All

deliveries due for components of such rolling stock should be pruned to suit the actual level of requirements for the remaining period in service of such rolling stock. (Para 5.11)

(25) Existing accumulation of scrap in the Railways is quite heavy and instructions should ensure reduction of holding to one months' arisings only. (Para 5.19)

(26) Remaining F. P. S. parts in loco carriage and wagon components should be expeditiously replaced with metric standards and the surpluses accruing, if any, should be disposed of expeditiously. (Para 5.12)

(27) An item once recommended and accepted for scrapping by the General Manager in terms of Para 2223-S of the Stores Code should not be put up again for approval for disposal. Relevant code rules in Para 2408-S should be amended suitably to avoid duplication of action. (Para 5.20)

(28) Scrap lying with stock holders/imprest holders should be identified early and transferred to the Stores Depot for arranging disposal. To do so, the stock verification of the stores with the imprest holders and other stock holders should be done with care so that surplus/unmoved stores could be identified. (Para 5.21)

(29) Departmental inspection of the user departments should also be tightened up so that stocks are inspected at least once in six months for identifying surplus/non-moving/scrap for suitable action. (Para 5.21)

(30) Surplus stocks lying with the Permanent Way Department should be reported to the stores organization with a view to liquidate them early as per the existing instructions for disposal. (Para 5.22)

(31) No item, which has been disposed of as surplus, should be allowed to be purchased within a period of one year from the date of disposal. If the necessity arises in any rare cases to purchase such an item, specific approval of the Head of the Department concerned and Controller of Stores should be obtained after bringing it to their notice this fact. (Para 5.10.1)

Mohd. Shafi Qureshi, Chairman.

K. S. Bhandari, Member.

P. N. Kaul, Member.

T. V. Joseph, Member.

R. Rajagopalan, Member.

M. V. Kamath, Member.

H. M. Chatterjee, Member.

N. Raman,
Secretary

Committee on Inventory
Management on Railways
New Delhi

30th January, 1975

APPENDIX 1

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. EkB-1/72/21/118

New Delhi,
 Dated 19th January 1973

RESOLUTION

The Government of India have decided to constitute a committee, to be known as the "Committee on Inventory Management on Railways" consisting of :—

1. Shri Mohd. Shafi Qureshi, Deputy Minister for Railways .. *Chairman*
2. Shri K. S. Sundara Rajan, Financial Commissioner, Railways .. *Member*
3. Shri H. M. Chatterjee, Member, Mechanical, Railway Board .. *Do.*
4. Shri R. Rajagopalan, Chief Cost Accounts Officer, Ministry of Finance. *Do.*
5. Shri M. V. Kamath, Special Director Finance, Tube Investments of India, Maoras. *Do.*
6. Shri A. Chandmal, Deputy General Manager (Materials and Finance), Tata Engineering and Locomotive Co., Jamshedpur. *Do.*
7. Shri R. Srinivasan, Joint Director, Railway Stores, Railway Board *Secretary*

The Committee will review the policy and procedures on the Indian Railways for Inventory control and Procurement of Stores, including Stores procured through the Director General, Supplies and Disposals, with the object of ensuring material availability and at the same time keeping inventories at the optimum level.

The Committee will endeavour to complete its work as early as possible.

(Sd.) H. F. PINTO
 Secretary, Railway Board and
 ex-officio Jt. Secretary to the
 Government of India

(For insertion in Part-I, Section-I of the Gazette of India).

The Manager,
 Government of India Press,
 Faridabad.

(Sd.) P. LAL
 Deputy Secretary,
 Railway Board.

APPENDIX II

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)

(RAILWAY BOARD)

No. ERB1/72/21/118

New Delhi,
Dated 27th September 1973

RESOLUTION

Reference Ministry of Railways (Railway Board's) Resolution No. ERB1/72/21/118 dated 19th January 1973 regarding constitution of the committee on Inventory Management on Railways. The Government have decided to amend the constitution of this committee and its terms of reference as under—

For

Read

- | | |
|--|---|
| (1) Shri H. M. Chatterjee, Member Mechanical, Railway Board—Member. | Shri N. N. Tandon, Member Mechanical, Railway Board—Member. |
| (2) Shri R. Srinivasan, Joint Director, Railway Stores, Railway Board—Secretary. | Shri N. Raman, Deputy Director, Stores, Railway Board, Secretary. |

2. The following have also been appointed on the committee :—

- | | |
|---|--------|
| (1) Shri M. Srinivasan, D. G., R. D. S. O., Lucknow | Member |
| (2) Shri H. M. Chatterjee, (Ex. Member Mechanical, Railway Board),
4, Massey Hall, 1, Jai Singh Road, New Delhi. | Do. |

3. The terms of reference of the Committee will be as follows :—

- (1) To review the policy and procedures on the Indian Railways for Inventory Control and Procurement of Stores, including stores procured through the Director General, Supplies and Disposals, with the object of ensuring material availability and at the same time keeping inventories at the optimum level ;
- (2) To review the systems to check thefts and pilferages in the stores ;
- (3) To examine the possibility of obtaining stores through Agencies other than the D. G. S. & D. ;
- (4) To have a thorough examination of the import of spare parts for the rolling stock ;
- (5) To examine the feasibility of setting up of ancillary units by Small Scale entrepreneurs for manufacture of spare parts in and around the Production Units ; and
- (6) To review the quality control of spare parts.

(Sd.) H. F. PINTO

Secretary, Railway Board and
ex-officio Joint Secretary to the
Government of India

(For insertion in Part-I, Section-I of the Gazette of India).

(Sd.) P. LAL

Joint Secretary,
Railway BoardThe Manager,
Government of India Press,
Faridabad.

APPENDIX II

**Preliminary report on Inventory Management in Railways submitted by
Shri M. V. Kamath, Member, Committee on Inventory Management on Railways.**

Visit to the Office of the Controller of Stores, Southern Railway and to Integral Coach Factory, Perambur, Madras.—The purpose of these visits was not to study in depth all the aspects set out in the background paper but to familiarise broadly with the routines adopted and the procedure followed :—

(1) *Visit to the Controller of Stores Office, Southern Railway.*—The visit to the Office of the Controller of Stores, Southern Railway, was made on the 18th April 1973. I had discussions with Mr. Char, Deputy Controller of Stores, as also with Mr. Rao, Controller of Stores. I visited, with Mr. Char one of the Depots and met the Officer-in Charge as also the Dy. C. M. E in charge of the Workshop.

The discussions with the officers brought out—

(a) that the procedures followed can be simplified to make for speed in work relating to procurement and payment.

(b) If D. G. S. & D. services are to be dispensed with, it is clear that the work cannot be carried out by the existing Controller of Stores organization.

(c) Apart from every other consideration, the system of procurement through D. G. S. & D. does away with a healthy contact between the user organization and the vendor, so essential for the success of materials management. Such contacts result in appreciation of each other's difficulties and hence make for greater co-operation.

(d) Obsolete and slow moving stores disposal is unduly delayed for fear of witch-hunting. The value of stores shown as obsolete is therefore likely to be under-stated.

(e) The Controller of Stores organization is not equipped staff-wise as also procedure-wise to develop ancillary industries.

(f) There is scope to do intelligent forward planning instead of indenting on the basis of past experience of consumption. If this change is made then obsolescence and slow moving stores will naturally reduce.

(2) *Visit to Integral Coach Factory, Perambur, Madras.*—The visit was made on the 28th April 1973 and discussions were held with Mr. Raman, Mr. Velayudhan and Mr. Subramaniam, Controller of Stores.

(i) It is clear that manufacturing organizations like Integral Coach Factory should not be governed by the same procedure as applicable to service units like the Southern Railway.

(ii) Integral Coach Factory does forward planning for materials excepting consumables but to make it effective it is necessary that Railway Board should indicate firm requirements for the next two years and tentative requirements for the third years.

(iii) Considerable scope exists for import substitution and development of ancillary industries. This perhaps might entail restructuring of the organization to develop market research on purchase side including the use of idle capacities in Public Sector Industrial Undertakings and development of special procedures and the delegation of necessary financial powers to cover ancillary industry development.

(iv) Procurement procedure can be simplified to do away with formal approvals which unduly delay and make for ineffectiveness.

(v) Disposal of stocks which are obsolete and slow moving is considerably delayed by fear of witch-hunting.

(vi) Work in process being a book figure, can create surprises if inventoried.

(vii) Apparent scope exists for reduction of inventories.

(Sd.) M. V. KAMATH

Preliminary Report on Inventory Management in Railways by Shri A. Chandra:

In the meeting held in Delhi on 24th March 1973, it was decided that I should visit Chittaranjan Works as well as Maintenance depot to familiarise myself with the working of the Railway Purchase and Stores function in the service as well as production areas. Accordingly a visit to the depot was made and detailed discussions were held with the Western Railway Officer, co-ordinated by Mr. Parasuraman of Western Railway. I also visited Chittaranjan Locomotive Works on 29th April 1973, and had discussions with the General Manager and other officials. From the discussions as well as the details mentioned in the first report given by the railways it would be worthwhile categorising the activities under the following heads :—

(1) **Procurement Policies.**—The procurement of items manufactured in the Railway Workshop on the basis of minimum and maximum levels is a good procedure provided the minimum and maximum levels are continuously reviewed to take care of fluctuations in consumption, lead times and other variable factors.

The procurement policy of bought-out items have been categorised under the three procurement agencies such as Ministry of Supply (D. G. S. & D.), Railway Board and the Railways directly.

(a) **Procurement through D. G. S. & D.**—Railways have to go through D. G. S. & D. for nearly 28 per cent of their requirements. It has been generally felt that on account of unreliable supplies from D. G. S. & D. contractors, the railways are forced to obtain the same items through open markets to tide over the situation. While this situation is inevitable in any set-up the volume of such purchases can definitely be considerably reduced by more effective follow-up as well as reduction in the very long lead times of 16 to 22 months required today for placing orders. With considerable fluctuations in supplies as well as consumptions it will be extremely difficult to forecast accurately 16 to 22 months ahead. Because of this *ad hoc* purchases/excess inventories are bound to take place. While the exact volume of such purchases was not obtained, it has been quite clear that considering the volume of purchases made by railways it may be worthwhile to have a separate agency to meet railway's requirements for items which have been found difficult to be procured through D. G. S. & D. Since railways are having procurement problems of some items for which today D. G. S. & D. arranges for procurement it may be worthwhile separating these items from the rest and allowing these items to be handled by a separate agency who could, working full time on railways needs only, ensure that they are satisfactorily met. Perhaps this body can place orders only on the contractors approved by D. G. S. & D.

(b) **Items procured by Railway Board and railways.**—Items under the D. G. S. & D. list but having annual purchases less than Rs. 50,000 as well as items not included in the D. G. S. & D. list come under this category. The problem of procurement seems to be that of ensuring quality supplies since the normal method of procurement is by an open tender system wherein the lowest tender is invariably accepted. This procedure of accepting the lowest tender could adversely affect quality considerations, since this does not guarantee the same. On the face of it, it might look as if we have made the best buy but if the total costs due to line rejections, life of the material, machinery and other processing problems are considered, it may be that the cheapest buy is not always the best buy. If the problems of processing of the tender as well as the cost of occasional *ad hoc* purchases that would be made to take care of short-fall of supplies from cheapest source are considered, the cost of purchase by this method could be high.

To ensure that railways make the cheapest buy from a reliable supplier delivering quality goods it is essential to have an independent body who will screen the suppliers by looking into their technical and managerial competence, financial viability, future plans, production processes, quality control procedures and the initiative to serve with efficiency. The organization details of such a body is being spelt out under the heading "Ancillary Development". Once this body approves of a list of suppliers for each item, the respective railways or the Railway Board, as the case may be, will deal with only these approved suppliers for all requirements. Any problems regarding the reliability, quality or the price of these suppliers can be referred to the screening body and settled thereof. This will not only ensure that a check is kept on the performance of the suppliers and healthy competition is encouraged but also will give enough incentive for the suppliers to improve the reliability and quality of supplies in the interests of long-term business.

(2) **Scrap and surplus Materials Disposal.**—In an organization of the magnitude of Indian Railways with purchases of well over Rs. 450 crores it will be impossible to completely eliminate accumulation of surplus/obsolete materials over a period of time. However, the accumulation of such material can be to a very large extent controlled by constant review and follow-up. Therefore, it is suggested that a committee should be formed under each railway with the responsibility of reviewing and disposal of surplus/obsolete materials. The centralized agency at the Railway Board can co-ordinate with these committees to ensure that items which are not required by all the railways only are disposed off as well as to obtain the necessary sanction for disposal of such materials in time. Since this is definitely a full time job it will be worthwhile having a small organization for this activity alone. This set-up should also ensure that information regarding items found obsolete/surplus because of various decisions taken from time-to-time is immediately disseminated to the various procurement levels so that further purchasing of such items is eliminated.

With the utilization of 45 crores of rupees of steel and considerable quantity of castings and forgings in the maintenance and manufacturing divisions the amount of scrap generated will be of very sizable magnitude. Therefore, any improvements made in this area will be a net gain to the organization. Hence, it is worthwhile entrusting the job of disposal of scrap to full time group in each railway who can make a proper market study of this widely fluctuating market to ensure proper returns as well as exchange notes with similar set-up in other railways. The group which is dealing with surplus materials can also look into scrap disposal. Since this group will be in constant touch with the body at the Railway Board a very effective co-ordination and consistency can be achieved.

(3) **Accounting and computerisation.**—The existing system for accounting of materials seems to be satisfactory. However, further computerisation of this activity is recommended. In order to have effective computerisation the availability of resources regarding computer Hardware, Software and programming staff as well as the priority for computerisation should be constantly reviewed.

It is strongly felt that the existing computing facilities should be considerably increased and plans for installation of third generation computers should be reviewed. While the writer has not gone into great details of the existing systems and the utility of the same, the need for increasing the computer capacity is very clear. Further analysis will have to be made to determine the type, configuration and other details to cater to future computerisation. In an organization which is so widely spread out and wherein there is constant interaction at all time and levels, it is essential to have reliable information feed back to ensure proper decision making. An effective computer system will more than pay for its costs by controlling inventories, ensure proper buying providing reliable information regarding suppliers performance, non-moving items etc.

With regard to the priorities for computerisation it is felt that the Numerical Ledgers—Stage II should be taken up before payment of bills. Under Stage II of Numerical Ledgers the Computer is to review the stocks, future demands and plan for recoupment. This is the area which will provide the real benefits in terms of control on inventories and therefore should have priorities over payments of bills. Even in Telco it has been found that payment of bills calls for considerable amount of discipline in documentation from each supplier which will take considerable amount of time. Before this system is introduced it would be worthwhile introducing a "Challan-cum Goods Inward Note" which the suppliers themselves are to prepare. This document which will serve the purpose of a forwarding note should accompany each bill as well as each consignment. Since the majority of regular suppliers are likely to agree with this procedure, the railways will be considerably relieved of the problems of matching the goods Inward Note with the bill resulting in easier passing and payment of bills. After taking into account all these points it is felt that the payment of bills should be given the last priority in computerisation.

(4) **Ancillary Development.**—Considering the number of items that Railways buy there is full justification to establish a full time organization for Development of Supplier to ensure reliable and quality suppliers at competitive prices. The objective of the "Ancillary Development" function should be to ensure that for all regularly required items there will be at least two and invariably 3 to 4 suppliers established to meet the demand of the railways, to take up import substitution work on a war footing particularly when the foreign exchange position is critical and the prices are skyrocketing in international markets, to arrange for technical guidance and sometimes financial help for potential suppliers, to screen the technical,

financial and managerial competence of the suppliers to determine their capacity to meet the long term interests of railways, to provide a list of well established suppliers to each railway to enable them to procure from only fully developed suppliers, to help the Controllers of Purchases/Stores in determining the share of business and in negotiating the prices with the various suppliers as and when demand for price increases arise, to take care of development of new items etc.

The development department should have a centralized secretariat with branches attached to each railway to carry on the development activity all over the country. Only when the development department has fully satisfied itself of the quality of supplies, the name of the supplier should be included in the approved suppliers list for that item. Both the functions i. e. development as well as purchase and stores should report to the same head so that problems of development of suppliers or purchase of new items etc. can be tackled effectively.

In Telco the need for a suppliers development department was felt quite a few years back and today there are nearly 35 people working full time on this activity alone. The benefits from such an activity have been felt all over the organization.

(5) **Personnel Policies.**—In order to ensure effective control on purchases of well over 450 crores of rupees a strong, stable organization is a must. The materials procurement and control function is one which demands very quick response to meet the constantly changing needs of suppliers, indentors and other government bodies such as D. G. S. & D., Steel Ministry, Finance Ministry etc. The function is so vital that it might even warrant a Railway Board Member's full time attention. Perhaps the representative of the Railway Board on J. P. C. is ideally suited to look into the procurement of all materials including steel.

There is a feeling amongst some people that active computerisation will mean lesser work and therefore far less staff is required. This is true only to a very limited extent. It is true that it might result in reduction of routine work but it certainly increases work for better controls which would not have been carried out in such depth in the past. Therefore there is a definite need to retain all the staff who were involved in that activity before and retain them to work with computers. In any computer system the number of action/exception reports can be so many that it would be worthwhile training all the staff to investigate the causes of exception and take necessary action. Hence there is a good need to establish a proper organization wherein there should be enough member of qualified engineers and management science graduates who should be given proper authority and responsibility to execute their functions. In this connection it would be worthwhile fixing the inventory targets for each stores depot and review the same periodically so that reasons for not being able to meet the targets could be analysed and necessary corrective action taken.

In addition to strengthening the existing staff to enable the Controllers of Stores and Purchase to function more effectively, the status of this function within the organization also should be raised so that the material procurement staff could verify the validity of consumption in order to ensure that consumption is under control and as per standards. Not only the purchase activity is important but the control on utilization of materials is equally, if no more, important. Therefore the organization should be geared up to meet all these requirements of the materials management function. The strengthening of this function will certainly prove to be beneficial to the organization by helping in conserving one of the biggest elements of working capital.

In addition to strengthening the organization it is felt that the purchase and stores should not be separated out. Since these two functions are so much interlinked it would be worthwhile having both the stores and purchase functions under one individual to have effective control on purchases as well as inventories. Since the centralizing of the function at the very top does not really help in day to day administration it would be necessary to combine this function at as low level as practicable to ensure that the targets for inventory and consumption control can be broken down to small manageable levels. Combining of purchase and stores function upto a level will certainly yield good dividends as can be observed from many organizations working under such a set-up

(Sd.)

ASIT CHANDMAL

A Preliminary Report on certain aspects of Inventory Management in Railways by Shri R. Rajagopalan

In accordance with the decision taken in the meeting held in Delhi on 24th March 1973, I visited the General Stores Depot at Shakurbasti and the Loco Shed at Ghaziabad. The following officers of the Railway also accompanied me during the visit :—

Shri M. S. Bhat	Dy. Controller of Stores.
Shri Trivedi	Asst. Accounts Officer.

On account of pressing official engagements, I could not make a visit to Varanasi to study the systems in practice at the Diesel Locomotive Works. However, it shall be my endeavour to visit this place also at an early date.

I also had the privilege of having detailed discussions with Shri S.K. Sabharwal, Controller of Stores, Northern Railway, Shri R. Sarangarajan and Shri N. Rahman, Secretary of the Committee. The following report deals with some aspects of inventory management relating to policy and procedures for inventory control and recoupment of stores :—

(1) There is a standard procedure for registration of firms from whom supplies can be had by the railways. The procedures relating to performance by the said firms would appear to emphasize only the aspect of prompt supplies. These procedures however do not indicate any steps to arrest tendency, if any, on the part of the suppliers to dump supply considerably in advance to the actual requirements of the railways. On the other hand, it would appear that if a supplier makes delivery well in advance though not required and scheduled by the railways at that point of time, it may be taken to be a good performance on the part of the firms.

(2) The various forms which are used in connection with the procurement of materials and control of inventory and a brief indication of the purposes of each of these forms are indicated in Annexure 'I' as prepared by Shri M. S. Bhat. The Committee may perhaps wish to examine in some details whether or not any of these procedures are redundant. It appears to me however that most of the forms presently in use by the railways are well designed and are necessary.

(3) The policies of the railway relating to the control of physical balances would appear to be as follows :—

(a) There is a great emphasis placed on keeping the physical balances to the absolute minimum at the end of the financial year so that the capital at-charge on which railways have to pay dividend to the General Revenues is kept at the minimum.

(b) It is considered to be an ideal balance if the closing balance of stores in stock at the end of the financial year would be 50 per cent of the average issues of ordinary stores for one year plus the cost of emergency stores according to Para 3110 of the Code for the Stores Department. This implies that the railway's ideal balance could be in excess of the above limits to the extent that stocks are held on account of the following items :—

- (i) Goods in transit in respect of which the payments have been made.
- (ii) Items of work-in-progress and finished stores held in the manufacturing shops of the railways.
- (iii) Stocks received in stores but not paid for.
- (iv) Items charged off to revenue but held in stock by imprest holders.

In respect of the items (i) to (iii) above, there would not appear to be any ceiling fixed by the railways in the Code. However, it is understood that the Railway Board have issued administrative instructions to the following effect :—

“With regard to the position of stores balances 50 per cent of issues without fuel for railways should be the main guiding principle. In case of the Production Units, it should be 40 per cent of the issues.”

Under these directions, it is explained that all items of stores other than charged off items and stocks held by the manufacturing units are to be included.

(4) There are also other directions of the Railway Board concerning the maximum stock that can be held. One such direction stipulated in the Board's reference No. 68-RS(G)/754 dated 27th February 1969 is to the following effect. The ceiling for the physical holding shall be as under—

- (i) 'A' category items—not exceeding three months' usage.
- (ii) 'B1' and 'B2' category items—not exceeding six months' usage.
- (ii) 'C' category items—not exceeding twelve months' usage.

Para 2230 of the Code for the Stores Department lays down that the maximum stock that can be held at any time of ordinary stores (other than surplus stores and emergency and special stores) should not ordinarily exceed 50 per cent of the issues of each item during the year. Another direction issued by the Railway Board administratively under reference No. 68/RS(G)/754.2 dated 16th May 1969 stipulates that an item shall be considered to be an overstock if the following limits are exceeded :—

- (i) 'A' category items—six months' usage.
- (ii) 'B1' and 'B2' category items—twelve months' usage.
- (iii) 'C' category items—twenty-four months.

On a reading of all these instructions together, it would appear that there is a need to review these provisions and directions in order that the maximum limits envisaged by the railways are more precisely understood.

(5) The Board's policies relating to staggering of deliveries of indents and purchase orders would appear to be as follows :—

"The deliveries should be arranged in three monthly/six monthly instalments for 'A' and 'B' category items and it should also be ensured that we are left with the lowest balances at the end of the year by postponing delivery if necessary."

In respect of 'C' category items it is understood that the whole year's requirements or even two years' requirements can be had at a time.

An examination of the figures relating to stocks held by the Northern Railway as at the end of the financial years 31st March 1972 and 31st March 1973 indicates that the stock value in categories other than 'A' and 'B' is about 50 per cent of the total stocks held. If this represents the general trend in other Railway Zones also, then it would appear that there is a need to examine the directions of the Railway Board relating to forecasting and phasing of deliveries particularly with reference to 'C' category items. Another notable feature was that a significant percentage of the total number of items held by the Northern Railway are items which have not moved for more than 12 months. From the point of view of value also it was between 10 to 15 per cent of the total value. It was however noted that, the closing balances of stores expressed as a percentage of issues without fuel, have come down to nearly 54 per cent at the end of year 1972-73 in the Northern Railway, while such balances had been considerably higher in the earlier years.

(6) A random sampling of certain major items of usage selected separately for items procured through the agency of D. G. S. & D., items procured by railway and items manufactured by Railway Workshops, was made and actual figures relating to opening stock, receipts, issues and phasing of deliveries for the three years ending with the financial year 1972-73 were studied. The general observation that could be made on the basis of this study is that while the stocks held at the end of the year was comparatively low, the actual deliveries received at the stores are such that it leads to excessive average stocks in respect of many of the items that were covered in this sample study. While the procedures lay particular emphasis on the firms to supply in time, the effect on the holding of inventory when supplies are made in annual or half-yearly deliveries would not appear to have been well appreciated. Only in respect of items supplied by the Railway Manufacturing Units, the phasing would appear to be somewhat reasonable. Officers of the Northern Railway explained some of the constraints faced in making the suppliers agree to regulate deliveries.

(7) If account is taken of the charged off items not counted for the purpose of inventories on hand, and the stocks held by manufacturing units in the railways and similar other items referred to earlier, it would appear that the stocks held by the Indian Railways as a whole would be very nearly equal to the value of one year's issue.

(8) Terms of payment.—The Railways in general do not appear to take advantage of any credit from the suppliers. Almost all stores procured are paid for to the extent of 90 per cent on proof of despatch.

(Sd.)
R. RAJAGOPALAN

ANNEXURE I

FLOW CHART FOR SUPPLY OF MATERIALS

1. Issue of Stores—

1.1.1. *Consumer.*—Issue of stores is on the following pattern :—

(a) *Imprest.*—There is a regular demand for such items. A “Sanctioned Imprest” representing 3 months’ requirements is fixed. On an appointed date each month, he forwards to the nominated stores depot “Combined Issue and Recoupment Schedule” showing—

- (i) Sanctioned Imprest.
- (ii) Balance on hand.
- (iii) Quantity demanded being equal to (i) minus (ii).

The sanctioned imprests for each item are fixed by the Divisional Superintendent and are reviewed from time to time so as to ensure that they are the lowest possible both as regards quantity and value, consistent with actual working requirements.

In addition, the monetary limit of stores held by each imprest holder is also fixed by the Divisional Superintendent and reviewed from time to time.

(b) *Consumable Stores.*—Monthly scale of consumption for each item of stores for each subordinate is fixed by the department and intimated to the feeding depot. Based on these scales, supplies are made to these subordinates, once in three months or four months depending upon the nature of item. The monthly scales are reviewed from time to time.

(c) *Stationery and Forms.*—On the basis of scales fixed by the Government of India, stationery articles are supplied once in six months. The scale for forms is fixed by the roving Inspectors working under the Printing Superintendent but attached to each division. These are also supplied along with the stationery once in six months.

(d) *Non-Imprest.*—For these items, the consumer fills in “Requisition and Issue Notes” gets the approval of a Gazetted Officer and forwards to the Stores Depot.

1.1.2. *Others.*—(a) *Depot Transfers.*—Requests for transfer from one Stores Depot to another are made on “Depot Transfer” Issue Notes.

(b) *Assistance to other Railways.*—These are treated as sales and issues are made on Sale Issue Notes.

(c) *Issues for fabrication like cloth for garments etc.*—These issues are made on ordinary Issue Notes chargeable to a Capital Suspense Head.

1.2. Stores Depot—

1.2.1. *Issue.*—The requisition is registered first.

(a) (i) It is checked up from Ledger Cards if stock is available.

(ii) If stock is available, the “requisitions” are sent to stocking wards for issue of stores.

(iii) If stock is not available—

Demands for Imprest and consumable stores are cancelled ;

Non-Imprest demands are entered in pending demand sheets for compliance after stocks are received.

(b) The stocking ward segregates the materials to be issued, fills in the particulars in the "Combined Issue and Recoupment Schedule" or "Requisition-cum-Issue Note" and hands over materials to Despatch Section. (These documents are referred to hereinafter as "Issue Notes").

Forms used for despatch

Van sheet
Memo for full load
Memo for small load
Memo for R. R.
Packing slip
Forwarding note

(c) (i) Imprest items are loaded in special "Stores vans" according to a monthly schedule. The Stores vans are accompanied by a Stores Van Clerk and run as a train and visit every imprest holder for delivering stores and collecting scrap and unwanted materials.

(ii) Similarly consumable stores, stationery etc. are also supplied through Store vans.

(iii) Other items are sent through Store vans if possible. Otherwise they are despatched through train service as parcels, wagon loads or handed over through special messenger.

(iv) Two copies of Issue Notes accompany the Stores. One copy is returned as acknowledgment. Two copies of Issue Notes are sent to the Ledger Section for posting.

2. Recoupment of Stores—Numerical Ledgers—

2.1. Posting.—The Stores Depot maintains Numerical Ledgers. There are two parts for each item—

- (a) Ledger Cards (Bottom Card).
- (b) Recoupment Cards (Top Card).

2.2. (a) The receipts and issues are posted on the Bottom Card, balances struck and the vouchers at the end of the day forwarded to the Accounts section for posting in the priced ledgers.

(b) The history of past usage for the past years pending orders etc. is maintained on the "Recoupment Card".

- (c) There are two types of recoupment—
 - (i) Annual review system.
 - (ii) Maximum/minimum system.

2.3. Annual Review System—

2.3.1. This is normally adopted for all purchasable items. It may be useful to recall that for all items where the annual requirement of a Railway exceeds Rs. 50,000, tenders on a programme basis are to be submitted to the D. G. S. & D. To facilitate this, a time table is drawn up for each group of items, and dates fixed for the stocking depots to send a "balance return" to the Office of Controller of Stores and a contract period of generally one year is laid down for each item.

2.3.2. The balance return shows—

- (a) The stock on hand,
- (b) Pending demands,
- (c) The quantities on order,
- (d) The actual consumption of material during the last three years,
- (e) The estimated monthly consumption (in many cases the forecasts are given by consuming depots),
- (f) The requirements of materials during the contract period, and
- (g) The requirements of materials upto the beginning of the contract period referred to as the interim period requirement.

Note.—For calculating the requirements for the contract period for certain nominated difficult items, a buffer stock is added. The buffer stock varies from 3 to 6 months' requirements.

The balance returns are forwarded to Controller of Stores Office on the nominated dates.

2.4. Maximum/Minimum System.—This system is used mainly for recoupment of items manufactured in Railway workshops for stocking purposes as well as some purchasable items of low value of annual usage.

Maximum/minimum limits are defined as follows :—

2.4.1. Minimum Stock.—The minimum limit is the quantity of stock representing monthly issue multiplied by the number of months, which from past experience, it is known will elapse from the date of recoupment before fresh stocks can arrive at the depot. This is also called the "Stock Order Point" signifying the point at which the recoupment demand should be sent forward. The minimum limit, is therefore, the lowest permissible level to which the stock plus pending quantities on order may fall without a stock recoupment having been sent forward.

Maximum Stock.—The fixing of maximum limit is governed by—

- (a) *Economic size of each order.*—The "maximum" is the lowest quantity that may be ordered at any time after providing that stores (including quantities on order) are never less than the prescribed minimum. Orders for small quantities at frequent intervals increase the cost of ordering.
- (b) *Increased lock up of capital.*—Fixation of high limit would involve unnecessary locking up of capital.

2.4.2. After posting of the issues in the Ledger, the Ledger Keeper sees whether the stock on hand minus pending demands plus order quantity has reached the minimum level. If so, he makes a recoupment for a quantity which is equal to minimum plus maximum plus pending demands minus (stock on hand plus quantities on order). A recoupment sheet is used for this purpose.

2.4.3. For purchasable items where recoupment is done on annual review system, as soon as the stock plus quantities or order falls to the "minimum level" a recoupment sheet is sent forward to the Controller of Stores' Office to meet requirements upto the end of the next contract period plus buffer, if any. Before provisioning, this is linked with the uncovered dues.

2.4.4. For items which are newly stocked, the monthly estimated requirements are given by the consuming departments, and recoupment is made for one "minimum".

2.4.5. When physical stocks fall to a level of "half the minimum" emergency recoupment sheets are sent for purchase of generally six months' requirements.

2.4.6. At every annual review or at the time of sending recoupment sheets, these limits are reviewed and changed if the consumption pattern has altered substantially.

3. Accountal of Stores—

Previously priced ledgers were maintained in the Accounts Office attached to Stores Depots. In addition to the quantities issued, received and balances, the values of these were also shown in these ledgers. This work has been totally taken over by the computer now and the entire priced ledgers are maintained on magnetic tapes.

4. Receipt of Stores—

4.1. The recouplements floated by the Stores Depots, are covered by Purchase Orders. The firms supply materials to the Stores Depots accompanied by their challans. There are two main types of supplies, viz.—

- (i) against orders placed by the D. G. S. & D., and
- (ii) against orders placed by the Controller of Stores.

(i) *D. G. S. & D. Orders.*—The materials are inspected by the Director of Inspection and 95 to 98 per cent of the value is paid by the D. G. S. & D. against the R. R. and Inspection Certificate. The materials are received in the Stores Depot accompanied by the Inspection Notes issued by the Director of Inspection. The materials are again inspected by the Stores Depot and after acceptance, the Inspection Notes are released to the supplier for claiming the balance payment. Receipt Notes are prepared for purpose of accountal only.

(ii) *C. O. S.'s Orders.*—The materials might either be pre-inspected by the Director of Inspection or sent directly without any pre-inspection according to the terms of the order. In either case materials are again inspected and after acceptance, receipt notes are prepared. A copy of the receipt note is sent to the firm to enable them to claim payment from the Accounts Office of the Railway. The other copies of the receipt note are sent to the Ledger Section for posting in the ledgers, to Accounts Department for payment of bills and to the C. O. S. Office.

4.2. *Posting in the Ledgers.*—The Receipt Notes are posted in the ledger in the same way as other vouchers and the position of supply shown in the Recouplement Card is also updated.

4.3. Other forms used in dealing with the receipt of Stores—

(i) *Guarantee Certificate.*—In case the order stipulates that firm should give guarantee regarding performance of the material, the firm are requested to furnish a guarantee certificate.

(ii) *Progress Sheet.*—On receipt of an order in the depot they start a Progress sheet to watch the materials—supplies, acceptance and rejection of supplies etc.

(iii) *Rejection Memo.*—When stores supplied after inspection are not according to specification and description given in the order they are rejected and the firm asked to take back the rejected materials.

(iv) *Proforma for testing of samples.*—Where it is required that the samples have to be tested by a laboratory this *proforma* is filled in and sent to the laboratory or technical authority for inspection and advice.

(v) *Notice for removal of rejected materials.*—In case the firm do not remove the rejected materials in time they are given a final notice and 21 days time after which they will not have any claim on the rejected supplies.

(vi) *Letter to the Director of Inspection for a joint inspection.*—In case supplies which are pre-inspected by the Director of Inspection are found to be defective, the inspecting authority is written asking for a joint inspection in order to avoid unfruitful correspondence.

(vii) *Letter form for withdrawal of cancellation of rejection.*—When on subsequent inspection, the materials are found to be acceptable ; either through an amendment to the Purchase Order or by rectifying all defects by the firm, the earlier rejection is cancelled by means of this form.

(viii) *Letter form for demanding difference of freight.*—When freight charges in excess of those permissible under the contract are paid, a letter is issued to the Accounts Officer for collection of the excess amount from the firm.

(ix) *Advice of despatch of directly imported stores.*—This form is used for receipt of directly imported stores.

(x) *Advice Note of returned stores.*—This form is used by the parties who want to return unwanted scrap materials.

5. Verification of Stores—

5.1. There are two types of Store verification viz.—

- (a) accounts stock verification ; and
- (b) departmental stock verification.

5.2. Accounts Stock Verification is conducted by the Accounts Department using the services of Stock Verifiers. The frequency of stock verification is as follows :—

- | | |
|---|--------------------|
| A Items —All items having annual usage value or more than Rs. 50,000. | Once in 6 months. |
| B Items —All items having an annual usage value of Rs. 10,000 and above but below Rs. 50,000. | Once in a year. |
| C Items —All items having an annual usage value below Rs. 10,000. | Once in two years. |
| D Items—All items without issues for over 12 months | Once in a year. |

5.3. Departmental stock verification is conducted by staff of the Stores Depot of such items as selected by the Depot Officer and approved by the C. O. S.

5.4. The results of the stock verification are posted in the ledgers and the stock verification sheet prepared. Large discrepancies are investigated on the spot in order to fix responsibility.

6. Procurement of Stores—

6.1. Provisioning of Stores—

6.1.1. The balance returns are received in the Controller of Stores' Office on nominated dates for groups of stores. The balance returns for the same item in different depots are then grouped on a Provision Statement, which shows the all depot position.

6.1.2. The details regarding the pending orders and other dues are checked and latest position noted. This information is maintained on a Position Card maintained for each item in every section. The average usage for the three years is calculated making due allowance for the trend in consumption. The provisions to be made for the interim and contract periods are then calculated.

6.1.3. The provisioning is then got approved by the competent authority depending on the value of stores. All provisioning exceeding Rs. 25,000 in value are vetted by the associated Finance.

6.1.4. Indents are placed on the D. G. S. & D. for contract period requirements (if the requirement exceeds Rs. 50,000) so as to reach D. G. S. & D. according to time table laid down by D. G. S. & D. Requirements for interim period, and for the contract period, if less than Rs. 50,000 are purchased by the C. O. S.'s Office. In regard to recoupment sheets, the details regarding pending orders and other particulars are checked, and if a purchase is to be made the same procedure of approving, vetting etc. is followed. The form used for this purpose is the **Provisioning Form**.

6.1.5. Action documents from the computer and requests from depots for emergency purchases are also processed according to laid down rules. Normally a purchase for 6 months' requirements (ignoring other dues) is made on an emergency.

6.2. Issue of Tender—

6.2.1. On the provisioned quantity indicated orders of competent authority are taken on the provisioning form and regarding mode of tendering—

- (a) Single tender.
- (b) Limited tender.
- (c) Bulletin tender.
- (d) Special Bulletin tender.
- (e) Advertised tender.
- (f) Local purchase.

6.2.2. *Bulletin Tender*.—A weekly Bulletin is published by the Controller of Stores and circulated to registered contractors who are the subscribers. The description of stores, quantities and the due date for opening of tender are indicated in the bulletin. Firms are required to submit their offers in printed forms supplied to them.

6.2.3. *Special Bulletin*.—Items of similar nature where adequate response from ordinary bulletin tenders is not expected are grouped together and sent to likely firms for submission of their offers.

6.2.4. *Limited Tenders*.—The particulars are typed on a Limited tender form and sent by post to selected firms.

6.2.5. *Special Limited Tender* is the same as the limited tender but a different form (same as used for Advertised tender) is used.

6.2.6. *Advertised Tender*.—The requirements are advertised in newspapers and the particulars are shown therein. Firms have to buy the tender documents and submit their offers by the due date. If they are unregistered they are required to furnish earnest money performance particulars etc.

6.2.7. *Local purchase*.—This is done by Local Purchase Cell for small value items through cash payment.

6.3. Opening of Tenders—

6.3.1. All tenders are dropped in sealed tender boxes, one each for each date and are closed at 10-30 hours and opened by an Officer on duty at 11-00 hours on each date.

6.3.2. There is a separate box for Advertised and Special Limited Tenders. These are closed at 14-00 hours and opened at 14-30 hours. An officer of the Finance Department also is present. The tenders are opened and read out in the presence of tenderers.

6.3.3. There is a Confidential Tender Section which deals with all tenders, their tabulation, etc. till acceptance of offers by competent authority.

6.3.4. Tenders valued over Rs. 25,000 are considered by a Tender Committee consisting of three Officers, one each from the Stores, Consuming and Finance Departments. This Committee makes up their recommendation for consideration by the accepting authority.

6.3.5. Other tenders are accepted by officers according to their powers of purchase.

6.4. Placement of Orders—

6.4.1. After acceptance, the tender papers are sent to the purchase section who prepare the orders on special form. These purchase orders are required to be vetted by associated Finance if value exceeds Rs. 10,000.

6.4.2. After vetting and signature the orders are sent to the firms for acceptance. In case, they are unregistered, they may be required to furnish a security deposit.

6.4.3. Security deposit is obtained from unregistered firms.

6.5. Progressing of orders.—There is a regular drill for progressing of orders till materialization of supplies. When orders are placed by the D. G. S. & D. or the Railway, the delivery schedule is specified in the order. While the Railway makes every effort to get regulated supplies, these do not materialize in actual practice on account of various constraints. For example, in case of axle oils and cylinder oil arranged by the D. G. S. & D. through I. O. C., the delivery is dependent on receipt of imported base oil and additives which arrive in tankers. Similarly, items manufactured specially to Railways' own specification etc. (which form most of the purchases) the firms tend to deliver materials in bulk. The problem is further accentuated by erratic supply of raw materials, rising prices, labour unrest, power sheddings etc. Despatches are made in wagon loads as far as possible to ensure correct deliveries.

In addition, the D. G. S. & D. draw up quarterly production schedules for distribution of items which are produced on a continuous basis. In spite of this, suppliers have not been able to adhere to the laid down schedules. These are items essential for the safety of running trains and the railway cannot afford stock-outs of such items. To avoid hold up train operations and prevent stabling of costly assets, supplies made upto the third quarter of the financial year are accepted. In the last two months of the year, however, endeavours are made to postpone deliveries dependant on the actual stock holding, all the time ensuring requisite service level.

7. Items manufactured in Railway Workshops for stocking purpose—

7.1. Provisioning.—The basis of provisioning is the maximum/minimum system explained earlier. For most of the items, a maximum of 4 months and a minimum of 6 months is prescribed. There are several items which are rationalized for manufacture in a particular workshop for the entire Railway. For such items the attached Stores Depot gets the requirement from the other depots and a combined work order is placed on an annual basis.

7.2. Work Order is placed on the form "Recoupment Card for shop manufactured duplicates and fittings".—The top card of the numerical ledger for the item shows the quantities of raw materials required for the manufacture. Before a work order is placed, availability of raw materials ascertained from the concerned ledger cards and the quantities required for the work order reserved. After this, the work order is placed on the shops.

7.3. Material Requisition.—On the work order, the shop prepare the material requisition and submit it to the depot. The depot supplies the raw material which has been reserved earlier.

7.4. After the material is manufactured, the workshop supplies the same to the depot under Materials supplied to Stores form.

8. Disposal of surplus and scrap—

8.1. **Surplus stores.**—Any item of stores which has not been issued for a period of 24 months is called surplus stores. Initially, such items are declared as moveable surplus. If it is considered that it is not likely to be utilized on any Railway within the next two years, the item is categorised as dead surplus after survey.

8.2. **Survey Committee.**—All items to be categorised as dead surplus are surveyed by a nominated Committee of 3 Senior Officials. Items valued at less than Rs. 500 each are not put up before the Committee. A **Survey Committee Report** is the form used by the Committee for categorising an item as dead surplus. The Survey Committee also surveys items of scrap before the same can be sold in auction etc.

8.3. **Book Transfers.**—When an item is declared as dead surplus, the ledger account has to be changed from ordinary stores to dead surplus stores and the value written down. In such cases **Book Transfer Voucher** is used.

8.4. The computer prints out lists of items which have not moved for over a period of 12 months. Assistance is taken of these reports for putting up materials before the Survey Committee. However, it has been noticed that the computer print outs contain items which have been closed by the depot, but not yet closed on the computer : items which are out of stock for a long time, items which are to be kept as emergency stores as well as those stores which have been newly stocked but have had no issues. Taking into account all this, it has been found by the Stores Depots that actually only 10 to 15 per cent of the items shown in the computer lists are such as have not moved and are fit for being put up for survey.

8.5. **Scrap.**—A large quantity of material of different kinds which is no longer useful for the purpose for which it was originally purchased and which is best disposed of by sale accumulates on the Railway ; such material is called scrap. Scrap is returned by the various subordinates to nominated scrap depots using the form "**Advice Note of Returned Stores**".

8.5.1. The returned stores are valued by the Depot Officer and necessary credit afforded to the returning subordinate. Scrap is sorted out according to correct nomenclature and formed into lots. Some scrap is used in the Railway Workshops. The lots before they are sold have to be surveyed by a Survey Committee and declared fit for sale. The recommendation of the Committee are then approved by competent authority.

8.5.2. Scrap is sold generally by auction held monthly in various scrap depots. The auctioneer is appointed by the Railway to handle the sale of Railway materials by auction. Immediately a lot is sold, earnest money is collected from the buyer, depending on the value of the lot. During the course of auction, the auctioneer prepares a **Bid Sheet** showing the details of lots, name of the buyer, rates at which sold, earnest money collected etc. The signature of the buyer is also obtained on the Bid Sheet. At the end of the auction, the Bid Sheets are checked and signed by the auctioneer, the Depot Officer conducting the auction and the Inspector of Stores Accounts who has witnessed the auction.

8.5.3. The buyer is normally allowed 10 days for the payment of the balance money with the Railway authorities. The buyer then presents the Cash Memo to the auctioneer who issues a **Delivery Order**. The buyer presents the Delivery Order to the scrap depot and takes delivery of the materials. The delivery is witnessed by a Stores Official as well by an Accounts Stock Verifier.

Preliminary Report on certain aspects of Inventory Management on Railways
by Shri R. Rajagopalan

Diesel Locomotive Works, Varanasi

1.0. I visited Diesel Locomotive Works during the period from 26th October to 28th October along with Shri Raman, Deputy Director, Member Secretary of the Committee.

2.0. Discussions were held with the following officials of D. L. W.:—

Sarvashri

C. Chalapati Rao, General Manager.

K. Jayaram, F. A. & C. A. O.

C. L. Kapoor, C. M. E.

R. K. Sabharwal, Dy. C. M. E. (G).

T. P. Chandrasekharan, Material Controller.

S. R. Jatav, Senior Stores Officer (II).

M. S. Bhattacharya, Senior Accounts Officer (W).

S. R. Bahadur, Senior Programmer.

3.0. It is understood that forward planning for material procurement is initiated only after the receipt of firm orders from the Railway Board. There would not appear to be any formal procedures by which materials phased for delivery are linked to production schedules. During the year 1972-73, there had been a fall in the production. However, the value of materials received (or paid for) during the year as well as the stocks held at the close of the financial year increased substantially. The order of increase in the closing stocks at the end of 1972-73 when compared to previous year was Rs. 16 crores. It is explained that any fall in production is taken care of by delaying the next procurement action and reducing the quantities being ordered at that point of time. Whether or not the increase in inventories was as a result of considerable delay in reaction to a fall in scheduled production may be worthwhile to examine.

4.0. The imported contents in the locos manufactured at D. L. W. is stated to be around 14 per cent during 1971-72. However, the value of materials imported during the same year amounted to almost 50 per cent of the total value of materials paid for during the year thereby indicating a ratio of 50 per cent imported content. If the imported content is only 14 per cent and the materials procured from imported sources amounted to 50 per cent, this could either mean that the materials received were for nearly 3-1/2 years' requirement or the percentage of imported materials should be of a higher order. Discussions indicated that in the computation of the percentage of imported materials items such as steel and even re-imports of components particularly traction equipments originally scheduled for deletion have been excluded. (The imported components are said to include also spares intended for Railways of a substantial value and spares and tools required for maintenance of plant and machinery. However, details of the same and order of the magnitude of their values are not readily available for the present study).

5.0. As regards imported materials it was explained that phasing of deliveries linked to production schedules has not been feasible on account of several extraneous factors such as the necessity to avail foreign credits within stipulated time, etc.

6.0. Even with regard to the indigenous materials in some of the cases it was explained that phasing has to be done according to the stipulations of the suppliers rather than the D. L. W.'s production needs. An examination of a few select items indicates that the tendency on the part of suppliers to dump supplies considerably in advance to the actual requirements of D. L. W. would appear to exist. However, the officials felt that such dumping on the part of the suppliers were only few.

7.0. While placing orders a provision for rejections is being made, such provision being of the order of 20 per cent in the case of raw material—non-magnaflux quality and 15 per cent in the case of sheets, plates and miscellaneous items. It would perhaps be worthwhile to examine the validity of such provisions with reference to the actual experience of the rejections.

8.0. As on 31st March 1973, 'D' class items (those which have not moved for one year or more) accounted for 48 per cent in numbers and 12 per cent in value. In the case of 'C' class materials (those whose issues are less than Rs. 10,000 per annum) the stocks held on 31st March 1973 were equivalent to 57 months' requirement. It is presumed that there is no appreciable error in the computation of this figure as appearing in the details furnished to the Railway Board. Though value wise this accounted for only 14 per cent, still the procedures relating to the phasing of deliveries and the reaction to the change in the requirements even with regard to 'C' class items may perhaps require a review.

9.0. In respect of Electrical Traction equipment supplied by G. E. C./U. S. A./England, A. E. I./England, H. E. (I) L./Bhopal and B. H. E. L./Hardwar, component wise rates are said to be not available leading to considerable delay in accountal and related problems. To what extent procedures in this case could be simplified may be worthwhile for examination.

10.0. The manufacturing suspense balance (the work in progress) amounted to roughly 50 per cent of the value of production during 1972-73. According to present procedures no physical inventories of work in progress is ever undertaken nor shop wise inventory values are available.

11.0. On the subject of systems to check thefts and pilferage, in addition to the provisions contained in the Stores Code, a special procedure obtaining in D. L. W. regarding locking and sealing of godowns are indicated in the annexure attached.

12.0. During the year 1971-72 procurement of materials from small scale entrepreneurs amounted to only Rs. 3 lakhs according to D. L. W.'s annual report. It is explained that the items required by D. L. W. are highly sophisticated and require heavy capital investment. The requirement of such materials being small the officials of the D. L. W. feel that any small scale unit will not be able to develop these items in and around Varanasi.

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(Sd.)

R. RAJAGOPALAN
28th October 1973

ANNEXURE

Joint Procedure Order No. 2/71 dated 27th September 1971

Procedure regarding taking over and depositing of keys at General Stores Depot, D. L. W.

1. Closing and sealing of Godowns.—For the purpose of locking and sealing of the godowns and wards in the General Stores Depot, D. L. W., the areas will be divided into the following zones :—

(1) *A. S. K./Scrap.*—Responsible for keys and seals of scrap yard, New Receipt and inspection building including Initial Spares, D. C. O. S. (D)'s Office building.

(2) *A. S. K./A'.*—Responsible for Wards A, D-1, K and C.

(3) *A. S. K./R. B.*—Responsible for entire R. B. building including D. S. K./R. B.'s Office and all 4 Bays of 'B' Shop gallery and all inner and outer exits.

(4) *A. S. K./O. D. C.*—Responsible for Wards R. B./O. D. C./Chassis, Wards L, F, F1, H and C1, O. D. C./Elec., E and E1.

(5) *A. S. K./Mech.*—Responsible for Ward Steel 1 and 2, R.B-1 (situated in the Office building of L. A. S.), Wards J, J1, M and B.

Note.—A. S. K./Yard and A. S. K./G will be used as substitutes immediately need arises under orders from the A. C. O. S./S.

Each W. K. under the respective A. S. Ks. will be responsible to ensure daily that all doors and windows are securely bolted from inside and that proper locks and seals are provided wherever necessary from inside. Doors should be fastened in such a way that there is no possibility of either vertical or horizontal movement. The lockers, almirahs, boxes etc. kept under each W. K. for storage of small pilferable items will also be properly locked and checked by the W. K. personally. He will leave the ward after all the staff have vacated it, after going around to ensure that none has been left behind in the godown. This duty will be performed by the W. Ks. by rotation if there are more than one W. K. under the same roof. Before leaving the ward, he will collect keys of all the lockers, almirahs and boxes etc. in a small glass faced box lockable from the outside through the eye-hole passing through the front side of the box. After sealing the locked godowns under his jurisdiction with a brass seal, the seal will be kept in the safe provided in the A. C. O. S. (S) room where necessary entry will be made in the Seal Register to be maintained and kept in the safe under the supervision of D. S. K. P. by rotation, who will perform this duty by rotation. The entries in the register will be made by the D. S. K. P. concerned. The key of the safe will be under the custody of A. C. O. S. (S) or in his absence in the custody of A. C. O. S./R. The seal as put on the card label should be circled by a red pencil by the W. K. to indicate periphery of the seal. He will then sign around this red line in ink and put the date. He should again check the arrangements of locking and sealing of the gate and be satisfied that the locking and sealing are in order. Again, there must be no possibility of the movement of the doors either horizontally or vertically with the locks and seals intact. There must also be no possibility of opening on any edge of the rolling shutters which will be locked and sealed at both ends of the bottom. The key and seal of the key box of the ward will be kept by the W. K. of the ward concerned after depositing the key box duly sealed with the A. S. K./Key duty and signing A. S. K./Key duty's register in token of having deposited the key box with him giving the time of deposit as well as initialling the register and will draw the box next opening day. Respective A. S. Ks. will be responsible to check up locks and seals on exits in their respective areas as indicated above will sign the register to be maintained with the respective D. S. Ks. in token of their having checked the locks and seals under their jurisdiction.

Each lock of inner exit doors of the wards or outer main exit will be pouched and labelled by wagon labels duly sealed on the top after passing the strings on the inner of lock through holes of the seal labels as at present. The seal on the label will similarly be encircled

with red pencil/ink and signed by the W. K. closing the gates of his ward. In respect of closing and sealing the R. B. Main gates the procedure as mentioned below will follow :—

Main Gate on Northern side .. By storage W. K. i.e., W. K./G., D. & Gl., RB. 2, 3, RB. 4, H, Rejection, O. D. C. (ENG.).

Main Gate on Western side .. (1) By W. K./Receipt, ML-1, 2 and 3.
(2) By W. K./ML-4 and W. K. Siding.

D. C. O. S. Office building .. By W. K./Claim, Insurance, Unloading and departmental verification by rotation.

2. **Handing over of Godowns.**—A. S. K./Key duty will then obtain acknowledgement of the zonal R. P. F. on duty on the existing *proforma* in token of their having handed over the outer locks and seals to them (R. P. F.) for keeping in safe custody till the opening of the wards.

3. **Deposit of Key.**—Each W. K. on closing duty will carry the glass faced key boxes duly locked and sealed after ensuring outer seals and the locks and of godowns and deposit these key boxes in the same condition with the A. S. K./Key duty at the R. P. F. main gate (East) who will arrange it properly in the glass-faced cupboard to be maintained on the wall in the R. P. F. Office. Each box will be in the cupboard with side painted with the ward number facing the glass so that ward number may be readable from the outside. After R. P. F. has ensured that all the seals and locks of the key boxes deposited with them are in order, they will duly sign the register in the R. P. F. Office in token of the facts of their check and make entries provided therein to be signed jointly by R. P. F. as well as A. S. K./Key duty. The key of the outer lock of the key board and seal to be signed jointly by A. S. K./A. S. I. (R. P. F.) will then be kept under the personal custody of A. S. K./Key duty.

Each ward will maintain suitable bunch/bunches of keys on a single wire ring which will be welded. Each bunch will also carry a brass strip of suitable size indicating in the bunch the ward number, bunch number and the number of keys in the following facsimile :—

'A' indicates the ward.

1 indicates the number of bunch of 'A' ward.

3 indicates the number of keys in bunch number 1 of ward 'A'.

4. **Opening of Godown.**—A. S. K./Key duty will similarly open the key board at the R. P. F. main gate (East) the next morning and the sealed boxes at the scheduled timings as at present, with the same assistance to and distribute the boxes to the respective W. Ks. after having acknowledgement from them in the register maintained for the purpose, at the R. P. F. main gate (East). Before opening of the wards by W. Ks. all the respective A. S. Ks. concerned will check up all outer and inner seals of their respective wards and sign the register with the D. S. Ks. in token of their having checked the seals and locks in their respective areas to their satisfaction. Each ward will maintain a locked cup board and keep the key box in their safe custody during the day.

5. **Closing Godown after working hours.**—The wards working on overtime will be required to obtain written permission from the D. C. O. S. (D) or A. C. O. S., channelling his request through D. S. K. specifying the time and purpose for which the particular ward is required to be worked on overtime. A. S. K./Key duty as well as S. I./R. P. F. will be informed through copies of the approved memo docketed to the R. P. F. main gate (East)

A. S. K./Key duty on receipt of written authority will not collect the bunch of the particular ward working on overtime, and give suitable remarks on the register at the time of closing at the main gate. A. S. K. of the ward concerned will be personally responsible for checking all the lockers, almirahs and boxes, windows etc. which should have been locked and sealed as mentioned above by the W. K. of the godowns where overtime has been worked and will ensure the above method of locking and sealing the outer main gate of his ward. He will hand over the ward so closed by him to the R. P. F. on the usual *proforma* indicating the closing time etc. thereon and will deposit the keys in the key board kept with the R. P. F. main gate (East) by dropping the keys through the slot hole provided on one side of the key board in the presence of R. P. F. He will then make necessary entries on the key register which will to be countersigned by R. P. F. The A. S. K./Key duty while withdrawing the key boxes from the key board every morning will also check up the slot hole and will also collect the keys if any, deposited therein, and will make joint entries with the R. P. F. on the key register to that effect. He will then also check up the total number of boxes deposited.

6. **Safe custody of brass seal.** - The A. S. K./Key duty after handing over custody of the sealed and locked godowns and wards will then deposit the seal of the cupboard where sealed boxes have been kept in R. P. F. office, with the D. S. K. by rotation and retain the key of the cupboard with himself (A. S. K./Key duty). The seal will be returned by the D S. K. to the A. S. K./Key duty next working day after opening of the depot.

A. C. O. S. (S)/A. S. K. (G) to please make immediate procurement of the articles required in sealing and locking of godowns.

This issues in supersession of all previous orders on the subject.

This has the concurrence of C. O. S./D. L. W.

(Sd.)

N. N. MUKHERJEE

Assistant Security Officer
25th September 1971

(Sd.)

M. S. JASPAL

District Controller of Stores (D)
25th September 1971

No. GSD/DLW/Security dated 27th September 1971.

Statement of Stores Balances and turnover percentage to Annual Issues at the end of Plan periods

(Figures in crores of rupees)

Year	Stores	balances	Annual Issues	Percentage of balances to annual issues
1950-51	..	58.13	77.04	75
1955-56	..	61.26	98.75	63
1960-61	..	90.42	149.41	60
1965-66	..	139.35	238.43	59

APPENDIX IV-B

Statement of Stores Balances and turnover percentage of balances to Annual Issues during the 4th Plan period
(Figures in crores of rupees)

WITHOUT FUEL

WITH FUEL

Year	WITHOUT FUEL									WITH FUEL								
	Railways			Production Units			Total			Railways			Production Units			Total		
	Stores balances	Annual Issues	Per cent age	Stores balances	Annual Issues	Per cent age	Stores balances	Annual Issues	Per cent age	Stores balances	Annual Issues	Per cent age	Stores balances	Annual Issues	Per cent age	Stores balances	Annual Issues	Per cent age
1968-69 ..	126.71	139.38	91	25.16	42.49	59	151.87	181.87	83	128.93	219.69	60	25.16	42.49	60	154.09	262.18	59
1969-70 ..	113.24	149.67	76	22.17	41.20	54	135.41	190.87	71	115.58	230.02	50	22.17	41.20	54	137.75	271.22	51
1970-71 ..	121.40	154.65	78	25.23	46.78	55	146.63	201.43	73	120.85	225.58	53	25.24	46.79	53	146.09	272.37	54
1971-72 ..	150.17	177.39	85	32.49	60.20	54	182.66	237.59	77	149.54	260.35	57	32.61	58.98	56	182.15	319.33	57
1972-73 ..	152.43	216.77	70	51.96	75.03	69	204.39	291.80	70	152.14	301.68	50	51.97	74.53	69	204.11	376.21	54

APPENDIX V
Summary of some vital statistics pertaining to Indian Railways indicating the growth and its impact
on Inventory/Materials Management

Assets	1950-51	1955-56	1960-61	1965-66	1970-71	1971-72	1972-73
Capital-at-charge (in crores of rupees)	827.0	969.0	1,520.9	2,680.3	3,330.3	3,519.4	3,726.0
Total investment (in crores of rupees)	855.2	1,102.1	1,868.6	3,255.5	4,099.4	4,333.5	4,581.6
Rolling Stock—Locomotives—							
Steam	8,120	9,026	10,312	10,613	9,387	9,222	8,963
Diesel	17	67	181	727	1,169	1,431	1,431
Electrical	72	79	131	403	602	639	672
Coaching Stock—							
Passenger carriages	13,022	15,888	20,062	22,714	24,591	24,997	25,457
Electric multiple unit coaches	460	574	846	1,355	1,750	1,886	1,859
Rail Cars	74	96	116	90	85	90	91
Other coaching vehicles	6,059	6,730	7,415	8,763	8,719	8,588	8,433
Wagons	2,05,596	2,40,756	3,07,907	3,70,019	3,83,990	3,82,725	3,84,283
Volume of traffic—Passenger traffic—							
Passenger kilometres (in millions)	66,517	62,400	77,665	96,294	1,18,120	1,25,329	1,33,527
Goods traffic—							
Tonnes originating (in millions)	93.0	115.9	156.2	203.0	196.5	197.8	201.3
Total traffic	44,117	59,576	87,680	1,16,936	1,27,358	1,33,265	1,36,542
Net tonne kilometres (in millions)							
Quantity of fuel consumed by locos—	9,504	11,321	14,800	15,936	14,338	14,246	13,727
Coal (in thousands of tonnes)	N. A.	N. A.	62,771	3,10,813	5,69,025	6,26,983	6,67,414
Diesel oil (in kilolitres)							
Stores purchased (in crores of rupees)—							
Indigenous	63.2	93.6	158.1	279.8	331.1	373.5	426.1
Total	81.6	126.3	177.9	329.7	363.7	413.5	485.8
Operating revenue and expenditure (in crores of rupees)—							
Revenue—gross receipts	263.30	316.33	460.42	733.76	1,006.95	1,096.97	1,162.77
Working expenses and miscellaneous	215.74	265.99	372.55	598.92	862.22	927.89	998.34
Dividend to general revenues	32.51	55.12	55.86	103.78	164.57	151.24	161.51
Surplus/Deficit (—)	15.05	14.22	32.01	18.56	(—)	17.84	2.92
Stores balances at the end of year	58.13	61.26	90.42	139.35	146.09	182.15	204.11
Annual Issues from stores depots	77.04	98.75	149.41	238.43	278.53	318.89	373.22

APPENDIX VI

Statement showing the purchases made by Railways and Production Units
during the year 1972-73 (Group-wise)

(Value in thousands of Rupees)

Description of stores group-wise	Imported direct	Imported but purchased in India	Indigenous	Total Purchases
Steam loco parts and fittings	2,36,83	26,77	5,81,46	8,45,06
Diesel loco parts and fittings	16,62,53	29,78	20,87,58	37,79,89
Electric loco parts and fittings	7,56,87	1,46	11,74,90	19,33,23
Carriages, Wagon, E. M. U. parts and fittings.	8,91,30	1,21,37	30,38,60	40,51,27
Electrical stores	7,01	92,06	21,62,24	22,61,31
Signal and Telecommunication stores ..	1,13,97	43,01	8,99,94	10,56,92
Permanent-way material, Track tools and Bridge works.	4,46	23,16	34,15,63	34,43,25
Engineering stores covering Building material, plant and machinery.	36,74	19,23	13,03,91	13,59,88
Abrasives, Tools, Hardware etc.	95	30,04	6,35,39	6,66,38
Brushes, Brushware etc.	1	2,81	1,39,82	1,42,64
India Rubber, Leather, Canvas etc.	1	5,94	5,31,12	5,37,07
Electrodes and Welding accessories	1,12	2,64	1,64,29	1,68,05
Paints, Enamels and Varnishes	2	28,03	4,27,47	4,55,52
Crockery, Cutlery and Napery		1,81	70,61	72,42
Cloth, Clothing and Personal equipment		25,23	7,00,02	7,25,25
Petroleum products other than fuel oil ..	1,89	1,82,93	9,45,52	11,30,34
Refractories, Packing materials etc. ..	2,51	5,93	2,01,28	2,09,72
Ball and Roller bearings	39,40	7,07	1,03,79	1,50,26
General stores covering acids, chemicals, drugs, pharmaceuticals, other miscellaneous stores, such as fire fighting equipments.	98	11,58	12,30,16	12,42,72
Stationery, forms etc.	98	7,55	3,65,43	3,73,96
Metal, ferrous	6,60,31	1,57,18	19,22,18	27,39,67
Metal, non-ferrous	91,54	26,13	5,23,80	6,41,47
Fuel : Coal/Coke etc.	70		71,07,68	71,08,38
Fuel ; Oil	96	72,21	36,15,01	36,88,18
Timber	80	17,16	5,24,13	5,42,09
Scrap		1,02	61,58	62,60
Rolling Stock complete units	5,14,57	5,43	86,75,65	91,95,65
Total ..	50,26,46	9,47,53	4,26,09,19	4,85,83,18

APPENDIX VII

Statement showing 'A', 'B', 'C' Analysis of items stocked in Depots on some Railways and Production Units as on 31st March 1974

'A' value of annual consumption over Rs. 50,000.

'B' value of annual consumption over Rs. 10,000 but under Rs. 50,000.

'C' value of annual consumption under Rs. 10,000.

'D' value of annual consumption—Nil.

(Value in crores of rupees)

Railways/Production Units	'A'		'B'		'C'		'D'		Total	
	No. of items	Value	No. of items	Value	No. of items	Value	No. of items	Value	No. of items	Value
Central	1,540	4.40	1,922	1.04	18,687	4.29	13,737	1.46	35,906	11.19
Eastern	1,227	4.83	2,001	1.28	14,918	5.40	25,363	3.10	43,509	14.61
Northern	2,931	3.48	3,500	1.32	22,455	5.73	11,289	0.82	40,175	11.35
South Central	275	2.31	774	1.02	8,759	1.42	4,126	0.41	13,934	5.15
South Eastern	694	6.59	1,479	2.66	24,438	5.37	33,090	5.13	59,701	19.75
Western	3,580	4.50	5,246	1.87	27,658	3.82	10,075	1.00	46,559	11.19
D. L. W.	294	5.55	387	1.05	3,902	1.51	4,806	0.80	9,389	8.91
I. C. F.	412	3.61	596	0.61	5,511	1.03	5,839	1.15	12,358	6.44

APPENDIX VIII
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

No. 65/RS(G)/164/9/Vol. II

New Delhi, dated 12th May 1966

To

The General Managers, All Indian Railways, C. L. W., D. L. W. and I. C. F.

The General Manager and Chief Engineer, Railway Electrification, Calcutta.

The Chief Administrative Officer and Chief Engineer, D. B. K. Railway Projects, Waltair.

Sub : Registration of firms as Approved Contractors (Suppliers)

Attention is drawn to the Railway Board's Circular letter No. 65/RS(G)/164/9/Vol. II dated 9th February 1966 on the above subject. It is considered that there should be a uniform procedure for registration of the firms on all the railways and it has been decided that the detailed procedure laid down in para 2 below should be followed.

2. On receipt of an application it should be dealt with as under—

(i) Initial scrutiny should be exercised in the Office of the Controller of Stores to ascertain if the application form is complete in all respects and that the necessary documents have been submitted. If the form is incomplete, it should be returned to the firm. If the form is complete in all respects, following action should be taken :—

Time allowed for initial scrutiny—One week.

(ii) If the firm is on the D. G. S. & D.'s and other Railways' approved list, a reference should be made to these organizations for the performance report of the firm. The performance report should be called for by a target date. Where reply is not received by the target date from these organizations, the matter should be taken up at a higher level semi-officially. If the performance report is satisfactory, the firm should normally be registered straightway for the stores concerned. Where the performance report is unsatisfactory, registration should be refused.

Time allowed for the other railways' and Government Departments to furnish performance report—4 weeks.

Time allowed for the Office of the Controller of Stores for taking decision regarding registration after receipt of performance report—2 weeks.

(iii) Where, however, the firm is not on the approved list of the D. G. S. & D. or of the other railways, the following action should be taken. From the particulars and documents furnished by the firm, it should be ascertained if (1) in the case of manufacturer, they have the necessary equipment and technical know-how for manufacturing the items to Railway's specification ; and (2) in the case of stockists, if they hold adequate stocks of reliable make and are of business standing. If apparently the firm has neither of these, their registration should be refused and the reasons recorded in writing and intimated to the firm. Where, however, the firm apparently possesses the necessary technical know-how or holds adequate stocks of items generally required by the Railways, their case should be progressed further and reference should be made to their Banker to ascertain financial stability and to the Inspecting Officer for technical capacity report.

Time allowed for exercising this scrutiny on the firm's application and making simultaneous references to the Banker etc.—1 week.

Time allowed to the Banker and the Inspecting Officer for reporting on financial stability and technical capacity—4 weeks.

(The technical capacity report should relate to checking the information submitted by the firm in the application form).

(iv) On receipt of Banker's and Inspecting Officer's reports, these should be scrutinized and if they are favourable, the firm should be registered. If, however, the reports are not fully satisfactory from the point of view of financial status or there may be certain deficiency in the technical equipment of the factory etc., in such border line cases, enlistment should

be made for a period of 2 years on trial in the first instance. On completion of a satisfactory report regarding the firm's performance they may be registered finally. If the performance of the firm is not satisfactory their name should be removed from the approved list.

Time allowed for taking decision regarding registration after receipt of Banker's and Inspecting Officer's reports—2 weeks.

(v) For small scale units, the application should be entertained through National Small Industries Corporation and they may be dealt with in accordance with the instructions contained in Board's letter No. 56/363/13/RS(G) dated 25th February 1963.

3. It would be obvious from the above details that if prompt action is taken and time schedule as indicated above is adhered to, it should be possible for the Railways to take final decision regarding registration of the firm within a period of 2 months.

4. The Board have received complaints regarding inordinate delays at present taking place on the Railways in finalising the registration of firms. The Controllers of Stores of the Railways should, therefore, personally watch the registration position on their Railways from time to time to ensure that the time limit laid down is not exceeded. Special Report called for from the railways on this subject under para 3 of Board's letter dated 9th February 1966 should be furnished latest by 10th August 1966.

5. It has also been decided that the application form for the registration should be standardized, as per *proforma* appended. This *proforma* is based on the D. G. S. & D.'s and Railway's extant *proformae*. As in the case of D. G. S. & D., a fee of Rs. 20 should be charged for the application form. On receipt of this fee from the firm, the form should be despatched to them within 3 days.

(Sd.)

R. N. MUBAYI
Director, Railway Stores

Issued to Messrs.....
Receipt No..... Date.....
Price Rs. 20 (Not refundable).

RAILWAY

Form of application for use of firms in India for enlistment as Approved Contractors to Railway

(N. B.—Complete and definite answers to questions must be given, otherwise, the application is liable to be ignored).

1. Name of firm
Telegraphic address
Address of Head Office
Telephone No.
Address of branches
2. Item or items of stores giving reference to the section and Serial No. of the attached list for which enlistment is desired.
3. (a) Is your firm incorporated under the Companies Law or any other Law of India? If not, who are the partners/proprietors. (Please give their names and addresses).
(b) Is your firm registered under the Indian Partnership Act, 1932 ?
(c) Is your factory registered under the Indian Factories Act, 1948?
4. Does your firm come under the scope of the Industries (Development and Regulations) Act, 1951 and if so, the No. and date of registration or licence held under the Act ?
5. If the firm is registered under the Indian Companies Act, 1913/Companies Act 1 of 1956 state—
(a) the name in which it is registered
(b) the Registrar with whom it is registered and his place
(c) the date of registration and the number of registration certificate.
(d) Subscribed capital

6. If the firm is registered under the Indian Partnership Act, 1932 or any other Act requiring the registration of firm/partnership—
 - (a) the name and/or style in which it is registered
 - (b) the place of the Registrar of Firms with whom registered . .
 - (c) the date of such registration and the number and date of registration certificate.
 - (d) the names and addresses of all the partners and the extent of their shares.
 - (e) whether under the partnership deed any one partner has been authorized to sign and bind the firm in all contractual obligations including power to refer cases for arbitration. If not, whether a separate Power of Attorney exists in favour of a particular partner to perform such functions. In the latter case a copy duly attested by a Notary Public should be submitted.
7. In any other case—

the name(s) and address(es) of the proprietor and/or all the partners and the nature and extent of their interest in the Joint Business (in the case of a Joint Hindu Family firm, give this information regarding all persons who have any interest in the business).
8. The income-tax circle/ward/district in which the concern and each of its proprietor(s)/partner(s) is/are assessed to income-tax and the G. I. R. No. of each.
9. If you are a manufacturer—
 - (a) Location of manufacturing works/factory/factories owned by you. (Documentary evidence of ownership must be produced).
 - (b) Brief description of the factory (e.g., area, covered accommodation, departments into which it is divided, laboratory, etc.).
 - (c) Whether the firm comes under the scope of Industries (Development and Regulations) Act, 1951 and if so, the No. and date of registration of licence held under the Act.
 - (d) Details of plant and machinery erected and functioning in each department (monographs and descriptive pamphlets should be supplied, if available).
 - (e) Whether the process of manufacture in the factory is carried out with the aid of power or without it.
 - (f) Details of stores or class of stores which the factory, as equipped, is capable of production (specifying each item separately).
 - (g) Details of arrangements for quality control of products such as laboratory, etc.
 - (h) Whether stores were tested to any standard specification, if so copies of original test certificates should be submitted in triplicate.
 - (i) In case you do not own the factory but utilize the factory of some other firm for the manufacture/fabrication of the stores for which you apply for registration, on lease or other basis, you should furnish a valid legal agreement that the factory of* has been put at your disposal for the manufacture/fabrication of the stores for which registration has been applied for.

* Here indicate the name of the firm whose factory is being utilized.

10. If you are accredited agents of any manufacturers, give—
 - (a) Name and address of manufacturers
 - (b) Articles for which you have agencies
 - (c) Stocks carried by you
11. If you are stockists—
 - (a) Items stocked
 - (b) Approximate value of your stocks ; and approximate value of annual sales.
 - (c) Address of your shop or shops
 - (d) Address of your godowns where your stocks can be inspected.
12. Classes of articles imported by the firm
13. Classes of imported articles normally stocked by the firm
14. State particulars with value (approximate) and date of any contract (of considerable magnitude) executed in the past twelve months by your firm for the Industries and Supplies Department, Railway or Local Body.
15. Recognized cottage industries and small scale industries units should submit a certificate from the Regional Director of the Unit in support of their statement.
16. Are you on the approved list of Director-General of Supplies and Disposals and if so, give details of items for which enlisted and registration No. and date ?
17. If you were on the approved list of any other railway, give registration No. and items for which registered.
18. Who are your Bankers ? Give complete addresses
19. Further remarks, if any
20. Do you pay income-tax, if so, income-tax clearance certificate as per form enclosed be furnished.

I/We.....do hereby declare that the entries made in this application form are true to the best of my/our knowledge and also that we shall be bound by the acts of my/our duly constituted attorney.

Mr.....who has signed this application and of any other person who in future may be appointed by me/us in his stead to carry on the business of the concern whether an intimation of such change is given to the railway or not.

I/We do hereby confirm that I/We have read the conditions governing Railway contracts as amended from time to time and would abide by these conditions in all respects.

.....
(Signature of Partners,
Proprietors or Manager, etc.)

All subsequent changes in the constitution or working of a firm, affecting the accuracy of the answers now given should be promptly communicated to the Railway.

Place.....

Dated.....

.....
Signature and Designation of
person signing this application
form (Proprietor, Partner,
Manager, etc.)

.....RAILWAY

Instructions for filling up the application form and supplying of other particulars required for registration

1. Grouping of stores.—Stores are grouped in different section alphabetically as in the list attached. Separate lists of contractors are being maintained for each item of stores.

Firms may apply on the prescribed form for registration for the supply of one or more items of stores giving reference to the section and serial number of the item of the attached list.

2. Security Deposits.—Firms desiring to be enlisted for the supply of stores to this Railway must complete the application form attached. No security deposit is required to be taken from contractors for item for which they are registered with this Railway. This is however necessary for items for which they are not particularly registered at 5 per cent of the value of an order in cash subject to a maximum of Rs. 10,000 in each case.

3. Weekly bulletins of stores.—Offers are invited for the supply of stores by advertisement, either publically or in the Railway Stores Weekly Bulletin. The latter is sent to all approved suppliers who pay the annual subscription of Rs. only in cash for it (not refundable). As most of the Railways' requirements are published in the Weekly Bulletin, it is in the interest of suppliers to subscribe for the Bulletin.

4. Right to refuse registration and removal from approved list.—The Controller of Stores reserves the right to decline to register any firm or to remove the name of any firm either for a specific period or permanently from the approved list without assigning any reason and his decision shall be final.

5. I. R. S. conditions of contract.—Firm will have to abide by the I. R. S. conditions of contract and rules and regulations issued by the Controller of Stores from time to time in regard to the purchase of stores.

6. The cash receipt.—The cash receipt for the purchase of application form, should invariably be affixed thereon while submitting the application form.

7. Signing of the application form.—(a) *Proprietorship firm.*—The application form should be signed by the proprietor.

(b) *Partnership firm.*—The application form should be signed by all the partners or by any one of the partners who holds a general power of attorney authorizing him to sign for and bind the firm in all contractual obligations.

(c) *Limited concerns.*—The application form should be signed by any one of the Directors or Managing Director of the firm.

The application may also be signed by a person other than those mentioned above, only when such a person holds a general power of attorney in his favour from the firm giving him authority to do so in which case such power of attorney in original together with a copy thereof should also be forwarded alongwith application.

8. Ownership documents.—All firms should produce documentary evidence for ownership of their godowns and factories and machineries installed therein.

(a) In case of manufacturing firm, original rent receipts and cash vouchers, etc. together with copies thereof, for the plants and machineries installed in the factory should be forwarded.

(b) In case of stockists, rent receipts for their godowns together with proof of ownership of the stocks, with the copies of the documents should be furnished.

Alternatively an affidavit sworn before the First Class Magistrate to the effect that plant, machinery, building, etc. are owned by the applicant firms may be forwarded.

9. **Income-tax Clearance Certificate.**—Current Income-tax Clearance Certificate bearing the seal and dated signature of the Income-tax Officer concerned, should invariably accompany the application.

In the case of a partnership firm, the current Income-tax Clearance Certificate in respect of each individual partner should also be furnished in addition to the Income-tax Clearance Certificate in the name of the firm.

The Income-tax Clearance Certificate should show the details of the income assessed, tax demanded and paid for the previous four years.

10. **Other documents to be forwarded.**—In case of a limited company, a copy Memorandum and Articles of Association and a certificate of Incorporation, and in case of a partnership concern, a copy of the entry in form 'A' from the Registrar of Firms concerned should accompany the application. In addition to this, list of sitting Directors in case of a limited concern and a certified copy of the partnership deed in case of a partnership concern, should be submitted.

11. **Registration of branches.**—In case where the firms desire registration of their branches in addition to their Head Office, they should forward a declaration to the effect that the Branch Managers are competent to bind the firm in all contractual obligations and that the Head Office will be responsible for the commitment of their Branch Managers and for the satisfactory execution of the contracts placed on them.

12. **Annual Reports/Balance Sheets/Profit and Loss statements.**—One copy each of the following should be furnished :—

(i) Last Annual Report.

(ii) Profit and Loss account and Balance Sheet for and at the end of the last year.

(iii) A statement showing the results of operation and financial position of the firm during the preceding three years in the *proforma* given below—

	—	Year ending	Year ending	Year ending
1. Sales			
2. Gross profit			
3. Depreciation			
4. Pre-tax Profit			
5. Taxation			
6. Net after tax			
7. Percentage of net profit on sales			
8. Dividend declared			
9. Net Block			
10. Capital employed			
11. Reserves			
12. Percentage of profit on capital employed			

APPENDIX IX

Statement showing the position of surplus and inactive items held in Stores Depots on some Railways/Production Units as on 31st March 1974

(Figures of value in thousands of rupees)

Railway/ Production Unit	Category	Below Rs. 1,000			Rs. 1,000-10,000			Rs. 10,000-25,000			Over Rs. 25,000			Total
		No. of items	Value	Percentage of items to total	No. of items	Value	Percentage of items to total	No. of items	Value	Percentage of items to total	No. of items	Value	Percentage of items to total	
Central	Surplus Stores	1,730	3.55	84	23	309	8.06	15	52	18	3	1.37	9	2,060
	Stores not moved—	2,694	4.33	78	9	667	20.74	20	42	41	36	18.72	1	3,438
	Over 24 months	4,560	7.80	84	15	798	21.33	15	36	59	18	10.64	22	5,435
Eastern	Surplus Stores	2,009	5.79	90	36	189	5.81	9	36	18	4	1.57	10	2,220
	Stores not moved—	3,480	7.09	72	6	1,121	33.38	23	28	150	88	59.61	2	4,839
	Over 24 months	8,100	13.85	82	9	1,448	43.79	15	29	173	89	68.62	1	9,810
North Eastern	Surplus Stores	1,717	2.55	86	13	237	7.19	12	41	29	9	3.59	20	1,992
	Stores not moved—	1,603	2.86	80	14	387	10.17	19	51	21	8	3.72	20	2,019
	Over 24 months	5,531	5.57	91	17	525	14.73	9	44	42	13	6.72	20	6,111
Southern	Surplus Stores	4,848	5.65	88	12	566	16.57	10	36	55	28	14.77	33	5,497
	Stores not moved—	1,285	1.63	96	38	59	1.51	4	35	6	1	1.12	26	1,350
	Over 24 months	2,730	2.96	89	17	287	7.56	9	47	30	10	2.19	12	3,057
South Eastern	Surplus Stores	5,711	4.72	84	4	875	22.31	13	21	132	85	67.41	1	6,803
	Stores not moved—	28,645	34.92	84	7	4,649	13.77	14	27	635	350	228.49	1	34,285
	Over 24 months	792	1.86	72	8	263	9.44	24	41	38	14	5.80	1	1,107
Western	Surplus Stores	3,425	4.23	86	12	504	17.35	13	48	44	14	7.91	22	2,188
	Stores not moved—	264	0.50	75	8	75	2.48	21	38	11	4	2.16	1	354
	Over 24 months	660	1.27	70	3	217	6.85	23	17	33	27	26.31	3	937
C. L. W.	Surplus Stores	1,716	2.55	81	8	329	9.47	16	30	34	27	14.42	1	39.44
	Stores not moved—	423	0.65	68	12	185	6.14	29	39	13	9	4.65	1	2,103
	Over 24 months	454	1.29	60	2	236	7.17	31	13	30	33	40.24	5	753
I. C. F.	Surplus Stores	282	0.78	61	4	148	4.17	32	20	19	14	13.18	3	53.27
	Stores not moved—	7,156	13.45	86	20	1,045	30.05	13	44	90	30	11.93	17	8,321
	Over 24 months	22,324	30.29	82	7	4,200	123.32	15	27	501	305	228.40	1	27,330
Total	Surplus Stores	53,179	72.54	83	9	8,829	256.67	14	30	1,040	545	361.75	1	63,598
	Stores not moved—	22,324	30.29	82	7	4,200	123.32	15	27	501	305	228.40	1	27,330
	Over 24 months	53,179	72.54	83	9	8,829	256.67	14	30	1,040	545	361.75	1	63,598

APPENDIX X

Statement showing the value of scrap held Railway-wise on the Indian Railways
as per Appropriation Accounts for the last six years

(Figures in crores of rupees)

Year	Ordinary Scrap	Surplus Scrap	Total Scrap	Total Stores balances	Percentage of Scrap to total stores balances
Central Railway—					
1968-69	1.32	1.93	3.25	20.44	15.9
1969-70	1.07	1.92	2.99	16.36	18.3
1970-71	1.16	2.26	3.42	15.55	22.0
1971-72	1.05	2.01	3.06	19.39	16.0
1972-73	0.96	1.43	2.39	15.70	15.2
1973-74	0.84	1.17	2.01	13.49	14.9
Eastern Railway—					
1968-69	0.07	..	0.07	19.46	0.4
1969-70	0.49	..	0.49	19.31	2.5
1970-71	0.64	..	0.64	20.61	3.8
1971-72	0.40	..	0.40	25.58	1.6
1972-73	0.38	..	0.38	23.18	1.7
1973-74	0.45	..	0.45	19.82	2.3
Northern Railway—					
1968-69	1.27	0.02	1.29	20.08	6.40
1969-70	0.19	0.02	0.21	17.61	1.20
1970-71	0.37	..	0.37	18.18	2.0
1971-72	2.52	..	2.52	18.46	13.7
1972-73	2.31	..	2.31	18.28	12.7
1973-74	1.45	..	1.45	19.04	7.6
North Eastern Railway—					
1968-69	0.07	0.45	0.52	7.60	7.0
1969-70 .. ..	..	0.17	0.17	8.41	2.0
1970-71	(—) 0.14	(—) 0.03	(—) 0.17	8.09	..
1971-72	(—) 0.01	0.15	0.14	10.48	1.3
1972-73	(—) 0.01	0.43	0.42	10.25	4.1
1973-74	(—) 0.01	0.38	0.37	9.79	3.8
Northeast Frontier Railway—					
1968-69	0.07	..	0.07	8.38	0.8
1969-70	0.02	..	0.02	8.61	0.3
1970-71	(—) 0.11	..	(—) 0.11	8.61	..
1971-72	(—) 0.09	..	(—) 0.09	9.75	..
1972-73	0.29	..	0.29	10.48	2.8
1973-74	0.16	0.10	0.26	11.63	2.2
Southern Railway—					
1968-69	0.54	0.26	0.80	12.24	6.5
1969-70	0.61	0.34	0.95	11.13	8.5
1970-71	0.58	0.29	0.87	11.81	7.4
1971-72	0.65	0.56	1.21	15.79	7.7
1972-73	0.51	0.80	1.31	18.15	7.2
1973-74	0.51	0.44	0.95	15.76	6.0

APPENDIX X—concl'd.

(Figures in crores of rupees)

Year	Ordinary Scrap	Surplus Scrap	Total Scrap	Total Stores balances	Percentage of Scrap to total stores balances
South Central Rail- way—					
1968-69	0.55	0.06	0.61	6.74	9.0
1969-70	0.42	0.17	0.59	5.61	10.4
1970-71	0.39	0.16	0.55	6.68	8.2
1971-72	0.47	0.31	0.78	8.46	9.2
1972-73	0.47	0.20	0.67	8.64	7.0
1973-74	0.57	0.04	0.61	8.28	7.3
South Eastern Rail- way—					
1968-69	0.51	(—) 0.08	0.43	15.88	2.7
1969-70	0.43	(—) 0.21	0.22	14.44	1.5
1970-71	0.37	(—) 0.02	0.35	17.06	2.1
1971-72	(—) 0.04	(—) 0.27	(—) 0.31	23.81	..
1972-73	0.76	1.01	1.77	28.17	6.3
1973-74	1.78	(—) 0.03	1.75	23.00	7.6
Western Railway—					
1968-69	0.44	0.90	1.34	18.08	7.4
1969-70	0.37	0.85	1.22	14.10	8.6
1970-71	0.41	0.92	1.33	14.26	9.3
1971-72	0.41	1.44	1.85	17.82	10.4
1972-73	0.27	1.27	1.54	19.32	8.0
1973-74	0.44	1.12	1.56	15.36	10.1
C. L. W.—					
1968-69	0.23	..	0.23	7.92	3.0
1969-70	0.18	..	0.18	9.14	2.0
1970-71	0.18	..	0.18	7.56	2.5
1971-72	0.15	..	0.15	12.99	1.1
1972-73	0.21	..	0.21	19.79	1.0
1973-74	0.09	..	0.09	21.09	0.4
D. L. W.—					
1968-69 .. ..	..	..	..	10.84	..
1969-70 .. ..	..	..	..	8.53	..
1970-71 .. ..	..	..	..	10.72	..
1971-72	0.03	..	0.03	11.92	0.2
1972-73	0.02	..	0.02	23.42	0.1
1973-74	0.08	..	0.08	20.97	0.4
I. C. F.—					
1968-69	0.04	..	0.04	6.41	0.6
1969-70	0.03	..	0.03	4.49	0.6
1970-71	0.02	0.04	0.06	6.95	0.9
1971-72	0.02	0.03	0.05	7.70	0.6
1972-73	0.02	0.03	0.05	8.76	0.6
1973-74	0.02	0.05	0.07	8.48	0.7

Summary of balances of Scrap on Railways and Production Units

Year	Railway			Production Units			Total Railways and Production Units			Total Store balances	Per cent age of Scrap to total stores balance
	Ordinary Scrap	Surplus Scrap	Total Scrap	Ordinary Scrap	Surplus Scrap	Total Scrap	Ordinary Scrap	Surplus Scrap	Total Scrap		
1968-69	4.85	3.54	8.39	0.27	..	0.27	5.12	3.54	8.66	154.09	5.6
1969-70	3.59	3.26	6.85	0.21	..	0.21	3.80	3.26	7.06	137.75	5.1
1970-71	3.67	3.59	7.26	0.19	0.04	0.23	3.86	3.63	7.49	146.09	5.1
1971-72	5.36	4.21	9.57	0.20	0.02	0.22	5.56	4.23	9.79	182.15	5.4
1972-73	5.96	5.13	11.09	0.25	0.03	0.28	6.21	5.16	11.37	204.11	5.6
1973-74	6.18	3.22	9.40	0.19	0.04	0.23	6.37	3.26	9.63	186.71	5.2

APPENDIX XI

Statement indicating value of scrap disposed/used Railway-wise for the year 1972-73

(Figures in lakhs of rupees)

Railways/Production Units	Receipts	Issues	Closing balance as per Appropriation Accounts	Total Stores balances	Value of Scrap in terms of months arising
Central	4,83.46	5,51.07	2,39.20	15,70	6
Eastern	4,21.34	4,23.07	38.29	23,18	1
Northern	3,89.75	4,11.01	2,31.38	18,23	7
North Eastern	1,59.84	1,48.67	42.04	10,25	3½
Northeast Frontier	1,03.14	64.77	29.20	10,48	3½
Southern	4,60.39	4,51.00	1,30.62	18,15	3½
South Central	3,21.87	3,32.69	67.44	8,64	2½
South Eastern	2,19.15	2,03.55	1,76.61	28,17	9½
Western	4,10.63	4,49.58	1,53.68	19,32	4½
Total	29,69.57	30,35.41	11,08.46	152,17	4½
C. L. W.	35.10	28.76	21.24	19,79	7
D. L. W.	3.25	3.82	2.04	23,42	8
I. C. F.	47.81	47.42	5.34	8,76	1½
Total	86.16	80.00	28.62	51,97	4
Grant Total	30,55.73	31,15.41	11,37.08	204,14	4½

APPENDIX XII

Statement showing value of stores held with the Engineering Depot chargeable to Stores Suspense in 1972-73

(Figures in crores of rupees)

Railway	Engineering suspense Permanent way	Engineering suspense other than Permanent way	Engineering surplus Permanent way	Engineering surplus other than Permanent way	Surplus stores awaiting sale	Total Value of Stores
Central	1.27	0.04	0.42	..	1.38	3.11
Eastern	0.84	0.62	0.74	0.10	0.62	2.92
Northern	0.91	..	1.30	..	1.46	3.67
North Eastern ..	0.23	..	1.34	..	..	1.57
Northeast Frontier	..	..	..	1.42	..	1.42
Southern	0.18	0.03	0.28	0.01	0.04	0.54
South Central ..	0.27	0.10	0.93	0.05	0.15	1.50
South Eastern ..	..	..	0.51	0.67	1.16	2.34
Western	0.03	0.22	0.62	0.03	0.38	1.28
Total ..	3.73	1.01	6.14	2.28	5.19	18.35